21. Christchurch City Holdings Ltd - Strategic Update as at 31 December 2021

Reference Te Tohutoro:	22/155323
Report of Te Pou Matua:	Leah Scales, Acting General Manager/Chief Financial Officer, Resources (leah.scales@ccc.govt.nz). Toni Rowell, Chief Financial Officer, Christchurch City Holdings Ltd (toni.rowell@cchl.co.nz).
General Manager Pouwhakarae:	Leah Scales, Acting General Manager/Chief Financial Officer, Resources (leah.scales@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)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. 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:	To protect commercially sensitive information that could erode the group's profitability if it became known to competitors.
Report can be released:	1 October 2022 After the Annual Report for the year ending 30 June 2022 is published within three months of the end of the financial year.

1. Brief Summary

1.1 The purpose of this report is to present Christchurch City Holdings Ltd's (CCHL's) strategic update on its group's performance in the first half year of the 2021/22 financial year (1 July – 31 December 2021). The report has been written following receiving CCHL's report on 11 February 2022, which is at **Attachment A**.

1.2 CCHL is required to comply with the requirements of the Financial Markets Conduct Act 2013 and the NZX Debt market listing rules by releasing its Interim Report to the market, expected to be by 28 February or shortly thereafter.

1.3 The information disclosed in this report, and the attached CCHL report is <u>confidential</u>**.** It is illegal for any person who has the information (known as insider information) to trade in CCHL's bonds, advise or encourage others to trade or hold CCHL's bonds, or pass on or disclose the insider information to others.

COVID-19

1.4 The greatest impact of COVID-19 restrictions on the CCHL group are the border closures and their impact on air travel throughout the country, alert level 4 lockdown when non-essential businesses were unable to operate and supply chain delays and disruptions. The major impacts were on CIAL's aeronautical activities and City Care's contracts in Auckland which accounts for around a third of its revenue.

1.5 For the half year to 31 December 2021 (the current period), COVID-19 restrictions were more severe in impact on the CCHL group's activities than for the half year period to 31 December 2020 (the prior period) largely due to the nationwide shift to alert level 4 lockdown for two weeks in August and ongoing alert level 3 and 4 restrictions in Auckland until early December when the alert system ceased. This was offset a little in July 2021 when the trans-Tasman bubble was open.

Dividends

1.6 All CCHL subsidiaries except CIAL expect to meet their dividend distribution targets (to CCHL) of just under $65 million in total (CIAL's SOI target was $9.1 million). CCHL also expects to meet its dividend projection to the Council of $16.1 million notwithstanding the uncertainty regarding the quantum of CIAL's distribution if any. The impact of CIAL's lower than budgeted dividend to CCHL will be a reduction in debt repayment (rather than reducing the dividend to the Council). CIAL notes that it remains committed to making a dividend distribution for the year, however the quantum is uncertain.

Half year performance

1.7 **Orion's** NPAT is $5.5 million ahead of its current period budget and $0.9 million ahead of the prior period (note Orion has a 31 March balance date and therefore its results are for nine months). The key driver of the higher NPAT than budget is higher peak volumes of demand for electricity over the winter months than estimated when setting prices. Under the regulatory default price path, Orion is required to offset this "overcharge" by reduced pricing to its customers in 2023/24 of around $3.5 million. The remainder of the NPAT variance reflects lower expenses owing to delays in receiving componentry for capital investment and repairs and maintenance due to the supply chain holdups.

1.8 **CIAL's** break-even performance reflects the COVID-19 restrictions for the period.

1.9 **Lyttelton Port's** NPAT is ahead of budget by $2 million and ahead of the prior period by $6.7 million. This is due to record volumes of containers through the port (up 12% on last year), from new container contracts and non-container cargo (motor vehicles and dry bulk volumes). Risks around softening export prices for logs to China, reduced demand for aviation fuel and ongoing COVID-19 impacts hangs over the business in the short-medium term.

1.10 **Enable's** NPAT is ahead of budget by $1.1 million. In Quarter 1 Enable signalled there was a risk it would not achieve its full year SOI NPAT target of $21.6 million due to COVID-19 alert level 4 restrictions. However, cost savings generated has more than offset the profit reduction. Against the prior period, Enable's NPAT is $4.1 million higher reflecting the cost efficiencies it has made as well as growth in connections over last year's baseline.

1.11 **City Care's** NPAT is below budget and below its prior period result by $1.4 million. City Care has advised that it will not achieve its full year NPAT SOI target of $6.4 million due to the material impact that COVID-19 restrictions have had to date on its business, particularly the extended periods at alert level 4 in Auckland.

1.12 Each of the CCHL subsidiaries are re-forecasting financial outturn for the year to 30 June 2022 and the outcome of this work will be seen at the time the group's draft SOIs are reported to the Committee in March/April 2022.

Living Wage

1.13 City Care advises that it has completed its strategy and implementation plan to become a living wage employer. The impacts of the living wage on the group will be further discussed in a workshop on 1 March.

2. Officer Recommendations Ngā Tūtohu

That the Finance and Performance Committee:

1. Receives Christchurch City Holdings Ltd's Strategic Update to 31 December 2021.

Attachments Ngā Tāpirihanga

No.	Title	Page
A	Christchurch City Holdings Ltd - Strategic Update as at 31 December 2021	12

Additional background information may be noted in the below table:

Document Name	Location / File Link
Nil	Nil

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

Author	Linda Gibb - Performance Monitoring Advisor CCO
Approved By	Leah Scales - Acting General Manager Resources/Chief Financial Officer

Christchurch City Holdings Limited

Report for Board

Date: 11 February 2022

To: Dawn Baxendale, CEO, Christchurch City Council

From: Toni Rowell, CFO

Subject: **CCHL Subsidiaries Strategic Update – FY22 Q2**

The following report is for submission to the next Finance & Performance Committee meeting.

As this report contains commercially sensitive information we request that it be included in the Public Excluded section of the Committee meeting.

Purpose

This report provides a strategic update of CCHL's subsidiaries and Parent level activity.

The intention is to provide additional comment on the strategic issues facing the Parent and each company, based on meetings with and information provided by subsidiary management.

Commentary is based on information received for the period ended 31 December 2021 – this is the second quarter for all subsidiaries except Orion, whose 31 March balance date makes this their third quarter update.

Note that this report is not intended to be an update on progress towards Statement of Intent (SoI) targets. SoI Compliance Reporting is provided separately on a quarterly basis, in compliance with s.66 of the Local Government Act 2002, for publication on the Council website. A copy of these "SoI dashboards" for the December quarter has been provided separately.

Current key strategic Issues affecting the Group:

COVID

COVID continues to impact CCHL subsidiaries. The outlook remains highly uncertain, and COVID and its related economic slowdown will remain a significant operational focus and potential disruption for the rest of the financial year (particularly for the airport and Citycare). Second quarter results are generally positive, however the ongoing impact of COVID (the Auckland lockdown which ended in December) and continuation of the closure of New Zealand's border indicates uncertainty that the full year SoI financial targets of airport and Citycare will be met. Enable also indicates that they are slipping behind their SoI financial targets.

CNZ capitalisation

CNZ is progressing well with the sale of DCL's remaining properties, noting that CCHL is working with Council and CNZ on the capitalisation of CNZ.

[redacted]

LPC CEO

Kirstie Gardener, GM People & Safety at LPC, has been appointed acting CEO until a decision is made on a permanent replacement following Roger Gray's resignation.

Living wage
CCHL and all its subsidiaries, with the exception of Citycare, pay the living wage to all their employees, noting that in Q2, Citycare completed their plan to become a living wage employer.

[redacted]

Group Financial Snapshot, 31 December 2021

Entity	Year to date NPAT			Last Year NPAT	Dividends	
$m	**Actual**	**Budget**	**Var**	**Same Period**	**Paid YTD**	**Full-year SoI**
CCHL (Parent)	29.2	30.3	(1.1)	40.9	0.0	16.1
ONZ [1, 2]	28.2	22.6	5.5	27.3	15.5	31.0
CIAL [1]	0.1	9.1	(9.1)	1.2	0.0	9.1
LPC	12.4	10.4	2.0	5.7	0.0	10.0
ESL	11.1	10.0	1.1	7.0	6.0	20.0
CCL	1.6	3.0	(1.4)	3.0	1.1	3.2
RBL	(0.4)	0.0	(0.4)	3.5	0.0	0.0
ECL	1.6	0.5	1.1	1.1	0.0	0.3
DCL	1.6	(0.3)	1.9	(0.7)	0.0	0.0

Notes
1 ONZ and CIAL have not been adjusted for minority shares.
2 ONZ reflects nine months results given its 31 March balance date.

The following pages provide an update by entity, including the following sections (where appropriate/relevant):

- Health & Safety
- Sustainability
- Social/Innovation
- Regulatory Risk
- Operating Performance
- Other CCO-specific issues (eg. funding plans, industry risk, etc.).

Recommendation
That this Subsidiary Strategic Update be received for the half year ending 31 December 2021.

Toni Rowell
CFO

FY22, Q3 Strategic Update – for Council PX meeting: ONZ
Quarter 3 update for Orion, due to their March balance date

Orion New Zealand	
Health & Safety	• There were no notifiable events in Q3. The total number of Orion Group notifiable events in the nine months of the financial year remains at three. The total number of notifiable events affecting service providers in the nine months of the financial year remains at one. • As a lifeline utility, Orion's vigilance in managing its operations during the COVID-19 pandemic has been vital. The company continues to operate efficiently and reliably throughout this pandemic. • The company has extensive measures in place to protect its people in the field, in the Control Centre and Customer Support teams. Orion is well prepared for its administrative and other operational staff to work effectively from home and, as a precautionary measure, requiring people in those roles to do so from the start of the New Year.
Sustainability	• A new generator donated by Orion in December will be keeping the Akaroa Health Centre residents warm and services operating in the event of a power cut. Orion contributed $25k towards the total cost of $31.5k. The small industrial-scale generator is powerful enough to keep the Centre's heating and essential services running and provide power to enable residents to re-charge mobile phones in the event of an emergency. • Orion has partnered with Kia Kotahi Ako Trust to help schools decarbonise, conserve energy and pan for the future. The Trust provides schools with a training module which enables students to understand the role of energy in their lives and encourages them to consider it as a career pathway. • As part of its strategic objective "to tell a better story", the Energy Academy has partnered with Maui Studios to develop engaging quest-based resources for youth to explore current and future energy systems and concepts. The first phase of this project was a pūrākau (graphic novel) with accompanying learning resources in line with the NCEA Level 1 Curriculum. These resources were piloted over a two day course at Rolleston College in November 2021. The results were positive and valuable insights have been taken away to inform the next phase of the project for the Energy Academy. • Through Orion's long-standing partnership with the Canterbury Employers' Chamber of Commerce, Orion sponsored the Wellbeing Webinar Series: Wellbeing in uncertain times. The seminars were open to all Canterbury businesses and more than 360 people attended the sessions.
Operating performance	• Financial: Net profit after tax (unaudited) for the nine months to 31 December 2021 was $28.2m, $5.5m ahead of YTD budget. Forecast net profit for the full year is $32.7m, $7.6m ahead of budget. • Delivery revenue is above budget this year due to above peak revenue and volumes, which are partially offset by below budget revenue from our major customers. Assuming this favourable variance remains at year end, under the Commerce Commission's Maximum Allowable Revenue (MAR) framework the net over-recovery will be returned to customers through a wash-up in FY24. • CAPEX is for forecast for the full year to be above budget by around $6m. Most of this increase is due to significant upward pressure on material and labour prices and continued growth in new connections. Work plans have been reviewed and some work has been postponed until later years to help manage cash flow and contractor resourcing. Some non-urgent IT projects have been deferred until FY23 until such time as the company's data and digital strategy has been developed. • Supply chain: Supply chain issues continue to impact the delivery of our programme of work. Shipping delays have meant equipment expected to arrive in August arrived

	in December. Consequently, some projects will be carried over into the next financial year. • While the supply issues are not expected to be resolved any time soon, much longer lead times are being built into new project planning lead times.
Network Reliability	• Orion is in compliance with the Commerce Commission's updated performance limits for both duration and frequency of outages (SAIDI and SAIFI) in FY22. This new regime came into effect on 1 April 2020 with the objective of incentivising improvements in quality of service by increasing the efficiency of planned work, and minimising supply interruptions for customers.
People	• Orion continues to invest significantly in leadership development, growing the capability of its people. • With the move to the traffic light system, Orion has instituted extra layers of protection for its people and business operations to ensure the power remains on, and everyone in the community can go about their daily lives.

FY22, Q2 Strategic Update – for Council PX meeting: CIAL

Christchurch International Airport Limited	
Sustainability	• Waste: 'Sustainably' a subsidiary of Total waste Solutions is currently being onboarded to help guide CIAL's circular economy journey. • Energy: Total energy usage for quarter was circa 10% lower than the previous year, reflective of moderate climate and lower passenger numbers. There was no load-shedding and CIAL is well under the monthly energy target for total energy consumption. • Carbon emissions: Total Carbon emissions (scope 1,2 & 3) remained consistent over the quarter and lower than same period last year. Indicative of CIAL moving out of our more energy intensive months over winter, less staff travel and less waste going to landfill with reduced passenger numbers. • CIAL's FY21 Carbon Footprint is currently being verified to Airport Carbon Accreditation/ISO best practice. CIAL will then source appropriate offsetting options to reach carbon neutrality for FY21, noting the challenge in sourcing 100% New Zealand based credits.
Health & Safety	• Over the last few months CIAL has engaged with key operational partners and the MOT around operational resilience. This has become particularly relevant following the identification of some Omicron cases in the country and the move to the red traffic-light setting. • This has involved working through options for maintaining operational resilience in the face of infections, isolation requirements for our essential workers and sickness occurring across the whole airport eco-system. It is possible that all parts of the system may face pinch points and acute challenges in Q1 2022, and possibly into Q2. CIAL has implemented a two-stage separation process for all its own workforce, meaning that all teams have split shifts to mitigate the risk of wider spread infection across each area of the business.

Financial performance	• The result for the first six months of FY22 is better than the last re-forecast, showing a break-even outcome for the period at an NPBT level, as compared to re-forecast loss of $1.4m.
	• The result however is $1.7m lower than same period last year, reflecting a six-month period with domestic health and travel restrictions in place for most of the period.
	• Key profitability covenant (interest cover ratio) is 2.84x which is well above the original waiver level of 1.75x for the six-month period to 31 December 2021.
	• Aeronautical: For the second quarter of FY22 aeronautical revenue was $800k ahead of re-forecast levels (as updated in Sept 21) but $2.7m lower than the second quarter of the prior year.
	    o Auckland remained in L3 for the majority of the second quarter with a hard border in place
	    o Regional travel held steady over the quarter, with high load factors and maximum seat capacity in place
	    o With Auckland border opening in the middle of December, there was an uptick in passenger numbers over the 10 days or so leading into Christmas with passenger demand over that 10-day period back to pre-pandemic levels
	    o For the second quarter, overall domestic passenger numbers were at 54% of pre-Covid levels
	• Hotel revenue for the quarter was slightly below re-forecast, with occupancy levels at only around 40% in November/December (as compared to 60% forecast). Reflects

	inflexibility of current cohort systems and move to extend isolation period from 7 to 10 days in December. However Gross Operating Profit for the hotel was kept in line with forecast given strong control of variable cost base. • Terminal concession and ground transport revenue was essentially in line with passenger number trends. • Property: The portfolio continues to hold up well – with no material change in tenant make up or level of relief required and less than originally budgeted. Discussions ongoing with small number of specialist tenants which are affected by ongoing border closures. • Operating costs: Operating costs for the quarter and YTD are essentially in line with latest reforecast. • Funding: As at the end of December 2021, CIAL had $77m of headroom facilities available to be drawn on and $3.8m of cash on hand. • During the second quarter CIAL extended a number of bank facilities due to mature with three separate banks all for terms of three years or longer. • The extension of one of CIAL's existing facilities with Westpac was converted into CIAL's first Sustainability Linked Loan (SLL). This is a significant milestone for CIAL as it is the first step towards taking the opportunity to incorporate its ambitious sustainability targets into their financial strategy. CIAL will consider conversion of other existing facilities as they mature over time. • Credit Rating: At the end of October 2021, S&P Global issued its latest report on CIAL as a part of its usual annual credit review process. CIAL's rating was re-affirmed at BBB+/stable as expected. Outlook was changed to 'Positive' in December 2021 to reflect a similar uplift in outlook for our majority shareholder CCHL.
Operating performance	• Quarantine Free Travel (QFT) zone: This was stopped in July 21 and at this stage it is not known when restrictions will ease. • Passengers/ Terminal: From a commercial perspective in the terminal, ongoing disruptions to domestic traffic and the recent move to the red traffic-light setting mean that total passenger recovery remains at less than 40% of 2019 levels with a large portion of this through the regional lounge. First floor retailers are continuing to find trading conditions difficult. We are continuing to work with operators on a case by case basis to provide relief at levels that we believe to be fair, consistent and will help ensure continued operation into the future. • Property: Rental and lease discussions continued with tenants most impacted by COVID, largely in Mustang Park and other specialist facilities with tourism-based clientele. Move to red setting and delay in border opening will not assist these tenants. Rental and opex recoveries remain strong at high 90%s. • Work is progressing well across both active construction sites, scheduled for completion in January 2022, with CIAL close to confirming occupancy with two freight operators. Grounds work has commenced on a new childcare facility and detailed design for further food and beverage operators in Harvard Park has been completed. NZ Post extension has been completed on time and under budget. • Work on remedial compliance work in the Novotel Christchurch Airport has now been completed and process of sign-off with CCC is underway. Current contract runs to 30 June 2022 and no direction has been provided by MBIE in respect to any plans for extensions beyond that point. • Likely awaiting government direction on how MIQ border policy will evolve • Central Otago Airport: Public release of the Preliminary Aeronautical Assessment occurred in September. Release went largely as anticipated and has stimulated some

	good conversation within the region and beyond. Next stages of the project will be focused on in-depth reviews of key social and environmental (birdlife and natural landscape) aspects as part of the pathway toward any regulatory approval process. CIAL has carried out some high-level review of social media activity from opposition parties through CY21 and will share a summary of this with shareholders in the next couple of weeks to provide some context to the Central Otago district engagement and extent of opposition narrative. • Power: CIAL publicly announced the establishment of Kowhai Park and its non-binding MOU with Solar Bay in December. A feasibility study to confirm the requirements for constructing and operating a renewable energy asset on the identified site is now underway. Completing this initial feasibility analysis will allow CIAL to then consider future market engagement options.

FY21, Q2 Strategic Update – for Council PX meeting: LPC

Lyttleton Port Company	
Health & Safety	• There were three lost time injuries recorded in Q2. • Life Saving Commitments have been developed and consulted on during Q2 and in final stages of development prior to approval and communication to staff. • A Safety Leadership Training package work is in development for deployment in Q3. • A S.T.E.P.S. Personal Risk Assessment App is in development for deployment in Q3. • High Risk Task Observations APPs for Log Operations and Wharf Operations now deployed and in use in field. • The LPC Permit to Work Office is well advanced in its operations. There were a total of 162 Permit and Authorities issued during December. The Permit Office have intervened in 25 hi-risk tasks pausing the application process to ensure improved safety outcomes. • Solid safety improvements have been made during the Quarter: • A controlled entry gate system is now in place for Nuttall Drive entrance to City Depot Container Repairs. • Improvements have been made to the Safe Zone's for Container Terminal Truck Exchange Lane.
Sustainability/ community	• LPC has project managed the removal of the infestation of Mediterranean Fanworm from the Inner Harbour in Lyttelton. LPC Divers, and now Dive Services NZ divers, have removed hundreds of the pests from structures in and around the Port. The external contractors were funded by the Whakaora Healthy Harbour Partnership, with LPC covering the cost of our staff and resources. This response will hopefully prevent the pest spreading into the wider Whakaraupo/Lyttelton Harbour ecosystem and threatening mahinga kai resources.
Financial performance	• Profitability: LPC delivered a strong financial result for the first half, $12.4m NPAT v a budget of $10.4m. We remain confident of achieving full year budget NPAT $17.6m despite expected Covid-related disruption in Q3/4. • LPC expects to pay $3.3m interim dividend in respect of FY22 as per SOI commitment, in March 2022. • Adverse variance to Indirect Expenditure of $0.8m in December includes staff cost provisions and changes to accounting treatment for Software as a Service systems • Volumes: Containers and Coal YTD NPAT $8.4m vs a budget of $7.2m. A favourable variance of $1.2m or 17%. Container volume moving by rail continues to sit at around 18-20% of volume. • Non-container cargo: YTD Bulk Cargo NPAT is 34% ahead of budget, driven by increased car and dry bulk volumes. YTD Cars are at 33,000, up 94% over budget. The export Log trade into China is being closely monitored following continued market intelligence indicating further reductions in export prices. It is anticipated that this market will remain volatile in Q3/4. Fuel remains down on the back of COVID-19 uncertainty (particularly aviation fuel) and future uncertainty remains.
Operational efficiency	• Container Terminal Operations: Container volumes are at record levels, with the first half reaching 266,949 TEU, up 12% on last FY. • ZIM Line will commence its first direct, fortnightly call to LPC in February. The exchanges will be approximately 200 TEU per call, however the additional capacity is still being viewed very favourably by cargo owners in the region. • Vessel scheduling remains challenging, December had 29 vessel calls against a budget of 33.

Capital Investment	• Extensive work is continuing on the Eastern Development, with several areas of pavement already constructed and in use. LPC is working through the preferred tender process for the construction of the new workshops, while procurement of the new reefer towers is well underway. All Eastern Development projects are on track for completion of the total package by mid-2023. • The Dry Dock is undergoing an extensive rejuvenation, with new edge protection complete. Construction of new amenity facilities are now underway, as well as an upgrade to the lighting and electrical networks at the Dock. • The upgrade of the Oil Berth fire protection system is well underway, and despite delays to the supply of various components the project remains on budget and expect completion in H2 FY22.
Employee relations	• The Marine Services CEA has been ratified. LPC has achieved a three-year term, pay increases (3.25%, CPI increase subject to a cap of 4%, 3%). It was agreed to work in an HPHE way on several matters of mutual interest. • A long-term discussion with Pilots over their roster has been successfully concluded. This has been an issue in past CEA negotiations, and through interest-based problem solving methodology LPC has been able to reach and settle agreement on the issue. • On 29 October 2021 LPC, Maritime Union of New Zealand (MUNZ), Rail and Maritime Transport Union (RMTU), and Amalgamated Workers' Union of New Zealand (AWUNZ) signed the HPHE Charter. This was a historic moment for Lyttelton Port and a landmark in industrial relations at the Port. The Charter jointly commits LPC and the Unions to each other's success and the development and fostering of a safe, cooperative and inclusive culture. A HPHE Joint Governance Group (JGG) and work area specific Joint Leadership Groups (JLTs) have now been confirmed to lead the HPHE improvement projects and activities.

2022-Q2 SOI Review – for Council PX Meeting: ESL

Enable Services Limited	
Our People	**COVID-19 Response:** Our business continues to respond to COVID-19 challenges. We focused on ensuring our protocols keep our people safe while also continuing to deliver our essential services to our community. Our Taskforce, controls and protocols, engagement programmes, and our close and transparent connection with our service providers, and retail service providers put Enable in a good position to respond quicky to ever changing situations. We continue to respond quickly and with flexibility to ensure there was no unnecessary customer impacts. **Employee outcomes:** All Enable people are paid the living wage. **Diversity and Inclusion:** We have established a B&I Allies group of advocates from across the business to lead our programme, they have identified a number of events to organise. 15 more of our people attended the Tuahiwi Marae workshop and we will be organising another group to attend. We have participated in CCHL's Gender Research Project and have received the initial feedback from workshops taken place. **Health, Safety and Wellbeing:** Site safety interactions in the field with our service providers continue to provide positive benefits in terms of building positive rapports and having good engagement; but also identifying opportunities for continuous improvement. We sustained zero total recordable incidents in Q2. Service providers are completing risk assessments on key hazards and risk to further reduce harm with an emphasis on the Hierarchy of Control.
A Sustainable Future	Climate Change: YTD Scope 1 have reduced by 34% and operational scope 3 by 92% from FY20 baseline. Over 70% of our fleet is now made of low or zero emission vehicles. Scope 2 emissions continue to increase as active connections increase, and we have begun a project to install solar on our COs as a mitigation against this. Green Fibre: We finalised and announced research, in partnership with the other network providers, that positioned fibre as the most sustainable connectivity option. Resource Use: YTD we have diverted 597kgs (71%) of our total waste from landfill.
Our Community	Community Partnerships: Enable has maintained all its key strategic partnerships. Digital Equity: We remained operationally ready to deliver our Ōtautahi Community Housing Trust partnership to provide free fibre broadband to this community and address digital equity. We continued to engage with the Minister for Digital Economy and Communications to gain the required approvals to launch the service. City WiFi: We continued work towards launching (in partnership with CCC) a free city WiFi solution in Christchurch CBD. Several access points are now deployed, and launch is planned for Q3.
Growing a Strong Business	Customer Connection and Network Performance: Connections for FY22 were 273 fewer than the target of 138,310, as lockdown protocols restricted the connections to essential services only under Level 4 in Q1. Service performance SLAs slipped marginally below the target of 95%, but this should be recoverable by June 2022.

	Financial Performance: Gross telecommunication revenue at $43.9m was ($0.3m) less than the target of $44.2m due to lockdown in 2022Q1. $1.1m savings in operational expenditure and $0.4m lower depreciation contributed to Net Profit after Tax (NPAT) of $11.1m being $1.1m greater than the target of $10.0m. Regulatory matters: The final Information Disclosure (**ID**) Determination was released on 30 November 2021. The Commerce Commission made significant amendments to its final ID Determination that aligned with our submissions including delayed disclosure for disclosure period 2022 (1 Jan 2022 to 30 June 2022) to November 2023 and alignment of the disclosure periods with our financial year end.

FY22, Q2 Strategic Update – for Council PX meeting: CCL

Citycare Limited	
Health & Safety	• The Board and Executive teams remain committed to reducing the TRIFR rating. There is a strong reporting culture of all incidents, and the majority of incidents on a rolling 12 months are relatively minor. Management is seeking, through our business improvement initiatives, to reduce this measure significantly over time. Initiatives are prioritised to focus on core critical risks faced by the teams predominantly in the field. Both Water and Property have annual health and safety improvement plans which are monitored by the Board's Health & Safety Subcommittee. • Citycare has developed a revised COVID-19 Protection Framework to reflect the new Traffic Light Systems. The plan incorporates the necessary changes to existing SOPs (Standard Operating Procedures). A vaccination risk assessment has been undertaken with staff in line with Citycare's COVID-19 Policy. • During November, all Citycare employees in Auckland received a care package as a small token of our appreciation for their hard work and uncertainty due to COVID. We had significant positive feedback from our people for the support and recognition. • There was strong staff participation rates in our Concordia Health & Safety survey. The survey insights will help identify areas for improvement to Citycare's health and safety.
Sustainability	• Citycare Property is exploring the best mechanism to measure the impact of its work across the four well-beings (Social, Economic, Environmental and Cultural). Membership of the Infrastructure Sustainability Council (ISC) is being considered for deployment particularly as the ISC's newly developed Operations rating tool has potential. Assessment is being undertaken as to whether Citycare can propose this (within the contract negotiation) as a joint initiative with CCC on our journey towards delivering an exemplar FM contract. • The Auckland Citycare Property team completed a Christmas present drive for children in Otara, South Auckland that are not fortunate enough to receive presents during the festive season. Together with suppliers, Citycare Property staff donated a significant number of gifts that were in turn distributed by the Koha Shed in Otara and Manurewa Marae. • The 2 in a Ute pilot project to maintain water sensitive stormwater assets has successfully established four mentor-mentee teams working in their local communities across Auckland. Auckland Council Healthy Waters has now confirmed extension of this pilot project for two years with the potential for a further two-year extension. • Work experience opportunities continue to be leveraged with high schools to give students an appreciation for job opportunities in the water industry.
Social / Innovation	• Living Wage: In October Citycare completed its strategy and implementation plan to becoming a Living Wage employer. Implementation has commenced and centres on working with multiple unions on a national remuneration framework for waged workers that has the Living Wage as an entry point to roles within this framework and starts to identify levels within roles to help us manage wage relativity issues within a role/grouping of roles. • Consultation with unions has commenced to seek their initial feedback and agreement to collaborate on the implementation of a national remuneration framework on a collective agreement by collective agreement basis. All union organisers were supportive of the proposed plans and are looking forward to collaborating with Citycare on this significant piece of work.

	• The first priority is the Canterbury collective agreement to ensure Citycare has a fit for purpose remuneration framework in place to address the CCC living wage requirement. Following this, work will commence on working parties with unions elsewhere around the country to address all remaining collective agreements.

Financial & Operating performance	• The recovery in the second quarter has not been sufficient to retrieve the impact of COVID which occurred in the first quarter and at this juncture, the businesses are unlikely to achieve their full year's budget.
	• Citycare Property has been impacted nationally and seen deferred revenue across construction contracts, minor capital works and facilities maintenance, with reduced windows for site access with many clients. Some of this activity will be recovered in the current financial year.
	• Margins have also been eroded through increased input costs, including materials, logistics and labour. A significant portion of Citycare Property's business is conducted under capped contracts, which has put margins under pressure and will continue to impact the second half of the year.
	• Citycare Water results have been impacted mainly in the Southern region for the following reasons:
	    o Apex Water Ltd – there has been a delay in completion of contracts and awarding of contracts, however it is expected that the second half of the year's budget will be achieved.
	    o Christchurch Construction – delays in the delivery of contracts, however it is expected the second half of the year's budget will be achieved.
	    o Supply chain disruption – issues affected the delivery of manifolds which have impacted on the revenue in Dunedin.
	    o Christchurch City Council took back inhouse the water treatment maintenance resulting in lower revenue.
	• At the end of June, the Company had a net cash surplus of $9.1m and at the end of December, the net cash position had improved to $18.3m notwithstanding the impact of COVID in the first quarter. Included in this amount was the COVID Wage Subsidy of $1.4m that was received in September.
	• Tight working capital management remained the focus and this has seen reduction in both the non-current debtors and WIP. Debtors in particular remains well managed with 97% either current or 30 days overdue.
	• Capital expenditure for the first two quarters of $3.2m was considerably lower than Budget of $7.0m. Whilst there may be a slight acceleration in the second half of the year, the total budget for the year of $12m will not be spent. The business has not been affected unduly by any supply chain disruptions.
	• From a liquidity perspective, the Company's position remains strong. In addition to the current net surplus, the Company has uncommitted bank facilities with CCHL and BNZ totalling $15m.
	• An interim dividend will be proposed at the February 2022 Risk, Audit and Finance Committee meeting for approval at the February 2022 Board meeting.
	• Whilst the businesses may not achieve their budgeted NPAT, it is not anticipated that this will impact dividends.
	• Citycare continue to look for opportunities to grow the business.

FY22, Q2 Strategic Update – for Council PX meeting: RBL

RBL Property Limited	
Financial	• The company made a loss before tax for the quarter of $550k (bringing the net loss YTD to $366k), after a write down of the remaining fleet by $506k and loss on sale of assets of $152k. The write down was necessary to reflect the remaining buses at their expected sale value. • The company continues to hold net cash, presently at $3.0M. The increased balance ($2.5M held as at 30 September 2021) is from asset sales and net rental income. Cash flow from operations (ie property leasing) for the three months was $41k and from asset sales, $445k.
Surplus Bus Sales	• In December directors noted the increasing costs and effort of getting buses back into working order and CoF compliance, given they have been sitting idle for nearly two years (the coach operation was closed down in the first covid outbreak). The fleet manager was tasked with making a discounted sale on an as-is basis. At the half year balance date, negotiations were underway with a party to buy the remaining 8 buses en masse at a discounted price. In January, this deal has been finalised and at the time of writing this report RBLPL is awaiting payment for transaction. Assuming payment is received, the only remaining item for disposal is a 20 foot container with some spares which will be sold or scrapped after the last buses have left site. • The aggregate value of the sale of surplus assets (ie excluding those in the asset sale to Ritchies on 7/12/20) will reach around $3.2M. • When the final asset sale value is known, management will review the final outturn with the expectations set out in reports by Deloitte at the time CCHL approved the sale process, and Deloittes final pre-sale update.
Ritchies Asset Purchase	• The warranty claim lodged by Ritchies over the mechanical condition of the fleet at settlement date remains live. There has been no further contact since mid-October from Ritchies. Directors have decided not to follow up with Ritchies as the claim is theirs to pursue. This does mean RBL Property will continue to hold cash against a reasonable worst case scenario outcome. Directors will be reviewing this amount in February.
Land Sale	• The wider CCHL group continue to work towards decision on the sale of the Ferry Road site. In the meantime all tenants (Ritchies, Wilsons parking, GoMedia, Containers and More, and a car yard) remain on site. The potential to extend leases is high and advice on an acceptable (to CCC/CCHL) term has been sought.

FY22, Q2 Strategic Update – for Council PX meeting: ECL

EcoCentral Limited	
Health & Safety	• There were 8 incidents in Q2 that fell into our Critical risk areas, 5 incidents where people accessed a restricted area and two fire/smoke events. Unauthorised access to restricted areas is a major focus with the company investing in improved physical barrier protection and controls as we work to mitigate this ongoing risk. • A loader fire at the Styx Mill EcoDrop site was caused by an electrical fault in the machine. This unit was written off by insurance and a replacement has been ordered. • The major focus continues to be on Lead Health and Safety activity which included HSR and staff training, equipment audits, induction refreshers, random drug and alcohol testing, Safe Work Observations and Critical Risk Bowtie analysis of both Vehicle Operations and Hazardous Substances.
Sustainability/ social	• Work continued on the EcoSort upgrade project through Q2. The project will improve plastic sorting for resin types and refine sorting of recycled fibre to less than 0.5% contamination. The project completion date is forecast to be the end of 2022 however there is a growing delay risk due to COVID. • Work also progressed on EcoCentral's carbon footprint modelling, helping set the structure of our carbon reduction plan. • EcoCentral continued its review of the 5 year strategic plan in Q2, with work in education, waste and recycling sector leadership, commercial relationships, growth, and innovation in managing the more difficult to process recycling components. These strategies will inform the EcoCentral business plan and our future strategic activity.
Operational performance	• YTD in FY22 the Q1 and Q2 performance has been strong and ahead of budget and, while it is anticipated this trend will continue through Q3, there are a number of significant headwinds to overcome to maintain momentum. The growing overhead costs at the EcoSort as the company is forced to produce a very high quality sorted product for the export markets using our existing old equipment, plus the added logistical complexity of sporadic shipping availability resulting in unbudgeted baled product storage. • The local Council's focus on reducing the high recycling contamination levels is continuing to reap incremental improvements, therefore it is expected there will be continued growth in recycling kerbside volumes. • The global recycling export market remains strong due to reduced global availability, therefore generating high reprocessing demand that few providers are able to meet. It is forecast that the strong commodity prices are likely to continue for the short to medium term. • EcoDrop volumes are expected to remain ahead of budget. Volumes are growing as small commercial operator businesses are targeted looking to enhance their ability to offer long term sustainable options for their customers. Commercial operators will see an increasing focus in Q3. • It is expected that EcoShop will have a strong Q3 as residents look for bargains to offset increasing costs elsewhere. To underpin high sales we need incoming stock, therefore management is focusing on forming strong local networks to find new and multiple sources of product.
Financial Outlook	• Financial: Net profit was up on budget in Q2, resulting in year to date NPAT of $1,617k against budget of $521k, primarily attributable to higher than forecast volumes and strong recycling commodity revenue.

	• The EcoDrop result was ahead of forecast with higher than forecast post-COVID refuse tonnage. The EcoSort materials recycling facility continued to be impacted by contaminated kerbside recycling, however contamination reduced throughout the quarter as EcoCentral worked with local Council's and collection contractors. • The EcoShop and Resource Recovery result was well ahead of budget expectation through strong retail sales and sustained high commodity prices and volumes from the Resource Recovery Centres.

FY22, Q2 Strategic Update – for Council PX meeting: DCL & CAP

Development Christchurch Limited	
Project Update	• Peterborough Street, Central City: The consortium of local developers is progressing with consenting and marketing activities. Construction will commence once consents have been granted which is anticipated to be during Q3. • Milton Street, Sydenham: On the 22 December 2021, a significant milestone in the Milton Street Project was reached with the Sale and Purchase agreement with NIWA for Lot 1 at Milton Street going unconditional for a research and office campus. Work is progressing to coordinate and integrate the design with the adjoining comprehensive residential development. • Seaview Road, New Brighton: Grant MacKinnon has nearly sold all of stage 1 and 2 of the development and is currently underway with the design for the stage 3. He has been pleased with the level interest in the sales to date and construction is due to commence in Q3. Alongside the Seaview Development, work is pushing ahead on the creation of a community-led arts hub in the former Roy Stokes Hall and a new anchor tenant has moved in. • Beresford Street, New Brighton: Following strong interest from developers with successful projects in the city a conditional Sale and Purchase Agreement has been entered into with a developer for all three sites. There is a three-month conditional period to agree the concept, and programme.
CAP Update	• For the six months ended 31 December, revenues were $2.3 million - $172k or 7.0% behind budget and $89k or 3.7% behind the prior year. Year-on-year revenues were growing at a reasonable 12.6% rate, but December revenues were poor – down 7% year-on-year. Weak December revenues were a consequence of two factors, both of which are “environmental” and largely beyond the Park’s control: 1. Weather – wet and windy weather saw the Park experience 11 weather affected days, 7 of which saw the Park closed. Unfortunately, the timing of this had a significant impact on Zipline tours and Christmas functions - it is extremely unusual for us to experience so many closed days at this time of year. 2. Covid-19 – Covid-19 impacted the Park in two ways: ▪ Auckland accounts for around 50% of Christchurch domestic tourism. Unfortunately, given the perceived risk of Omicron and “snap lockdowns”, the numbers of travellers from Auckland was well back on prior years, and the markets expectations; and ▪ The implementation of vaccination requirements prior to Christmas saw a number of Christmas functions and Zipline bookings cancelled. This had an adverse impact on food and beverage and zipline revenues in particular during December. • Fire Litigation Update: There has been no change in the position with respect to the fire litigation since the last report. No further claims have been received. IAG have undertaken an assessment of the validity and reasonableness of the quantum of the three additional claims that have joined subsequent to the judgment. Their assessment largely accords with our views. • CAP’s legal team continues to prepare for the appeal to the Court of Appeal, which is due to be heard on the 5 and 6 April 2022. As noted in the last report, there is little that the Park can do at this time to contribute to or influence the outcome of that hearing.

	However, we continue to be comforted by the advice received from our legal team about our prospects of success.

22. Christchurch City Holdings Ltd - Appointment of Interim Chair to Orion New Zealand Ltd

Reference Te Tohutoro:	22/174832
Report of Te Pou Matua:	[redacted]
General Manager Pouwhakarae:	Leah Scales, Acting General Manager, Resources Group (leah.scales@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)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons.
Plain English Reason:	To protect the privacy of the candidate
Report can be released:	Immediately following the candidate being notified of the Council's decision.

1. Purpose of the Report Te Pūtake Pūrongo

1.1 The purpose of this report is to seek the Finance and Performance Committee's approval to the appointment of Mr Paul Munro, the outgoing chief executive of Christchurch City Holdings Ltd (CCHL) to the position of Interim Chair of Orion NZ Ltd. The appointment will expire at the time Orion's 2022 Annual General Meeting is held.

1.2 This report has been written following receiving the CCHL report on 10 February 2022 which is at **Attachment A.** The report contains all the relevant information to underpin the Committee's decision.

1.3 Taking into account the urgency required for this temporary appointment, Council staff are satisfied that the proposal is the best way forward, and sufficiently meets the Council's Policy for the Appointment and Remuneration of Directors.

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 assessing the extent to which the decisions sought may impact the community.

2. Officer Recommendations Ngā Tūtohu

That the Finance and Performance Committee:

1. Approves the appointment of Mr Paul Munro as Interim Chair of Orion New Zealand Ltd to take effect immediately and to expire at the time of Orion New Zealand Ltd's 2022 Annual General Meeting; and

2. Agrees to release this report to the public as soon as possible after decisions have been made and the candidate informed.

3. Reason for Report Recommendations Ngā Take mō te Whakatau

3.1 To provide for ongoing interim leadership of the Orion NZ board until such time as a formal process to permanently replace the outgoing Chair can be conducted.

4. Alternative Options Considered Ētahi atu Kōwhiringa

4.1 Alternative options for the Interim Chair position are included in CCHL's report.

5. Policy Framework Implications Ngā Hīraunga ā- Kaupapa here

Strategic Alignment Te Rautaki Tīaroaro

5.1 This report is consistent with the Council's commitment to good governance of its CCOs. This is aligned to the efficient delivery of the outcomes sought by the Council's Long Term Plan (2021 - 2031).

Policy Consistency Te Whai Kaupapa here

5.2 The decision is consistent with the Council's Plans and Policies. In particular, clause 8.4 of the Policy for the Appointment and Remuneration of Directors provides that CCHL has the responsibility for appointing directors to the CCHL group of companies and other particular CCOs including VŌ. Clause 8.15 of the Policy requires the recommended appointments to be approved by the Council.

Impact on Mana Whenua Ngā Whai Take Mana Whenua

5.3 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

5.4 Not relevant.

Accessibility Considerations Ngā Whai Whakaaro mā te Hunga Hauā

5.5 Not relevant.

6. Resource Implications Ngā Hīraunga Rauemi

Capex/Opex Ngā Utu Whakahaere

6.1 There are no cost implications.

7. Legal Implications Ngā Hīraunga ā-Ture

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

7.1 Local Government Act 2002.

Other Legal Implications Ētahi atu Hīraunga-ā-Ture

7.2 There is no legal context, issue or implication relevant to this decision.

8. Risk Management Implications Ngā Hīraunga Tūraru

8.1 Not relevant.

Attachments Ngā Tāpirihanga

No.	Title	Page
A	CCHL Report - Proposal to appoint director to Orion NZ Ltd	34

Additional background information may be noted in the below table:

Document Name	Location / File Link
Nil	Nil

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

Author	[redacted]
Approved By	Leah Scales - Acting General Manager Resources/Chief Financial Officer

Christchurch City Holdings Limited

Report for Council

Date: 11 February 2022

To: Dawn Baxendale, CEO, Christchurch City Council

From: Jeremy Smith, Chair, Christchurch City Holdings

Subject: Recommended Director Appointment to the Orion NZ Limited Board

Public Excluded

This is a report submitted for consideration and approval by the Council in the public excluded part of the agenda.

Plain English Reason for Public Excluded Report

This is a confidential report relating to the appointment of individuals to positions and comes under clause 7(2)(a) of the Local Government Official Information and Meetings Act for the protection of the privacy of an individual. Until the appointments are approved it is reasonable for the name of the people to be kept confidential as it could damage their reputation and personal privacy if the Council chooses to not approve the appointment for some reason. Any debate around suitability of a specific individual should not be held in public as it may affect their reputation.

Purpose

The purpose of this report is to recommend to Council the appointment of Paul Munro as a Director and interim Chair of the Orion NZ Limited Board (*Orion*).

Background and Process

The current Orion Chair, Jane Taylor has advised CCHL that she is stepping down from the Orion Board for personal reasons in March 2022. This creates the need to appoint a replacement Chair in a short period of time to provide ongoing Board leadership and stability. Given the short notice period and immediacy of this appointment the CCHL Board has considered the options available for an interim Chair appointment to commence immediately and run for an initial period through to the 2022 Orion AGM. The attributes sought in an interim Chair include being able to very quickly assimilate themselves onto the Board and into the Chair role. This meant CCHL has considered candidate options who could bring the following:

- A solid understanding of the electricity distribution (*EDB*) industry including the current risks and opportunities for EDBs that are presented both through the ongoing regulatory reforms but equally through the increased focus and investment on decarbonisation initiatives both by connected customers and by the EDBs themselves;
- An understanding and appreciation of the current Orion strategic direction;
- Existing relationships with the Orion management team and Board;

- A strong understanding of the objectives and expectations of both of Orion's ultimate shareholders (CCC and SDC);
- Significant governance and leadership experience and capability to step into the Chair role for what is one of CCHL's largest and most important commercial investments.

In this context, this effectively limited the options for an interim Chair to either one of the incumbent Orion Directors, one of the current CCHL Independent Directors, or the current CCHL CEO.

As context, the current Orion Board members and board tenures are set out as follows:

- Jane Taylor (Chair) – appointed 2018 / resigned March 2022
- Bruce Gemmell (Audit Committee Chair) – appointed 2016
- Sally Farrier – appointed 2020
- Jason McDonald – appointed 2017
- Jen Crawford – appointed 2021
- Mike Sang – appointed 2021

In addition, CCHL also specifically noted that this Chair appointment will be the fifth Chair appointment to the Orion Board in the last five years and therefore there was a strong desire to make an appointment who could bring stability to the Board to create time for CCHL to complete a process to make a more permanent Chair appointment.

As set out above, CCHL has referenced the process set out in the Policy for the Appointment and Remuneration of Directors to Council Organisations. Specifically, CCHL has:

a) Assessed the skills, knowledge and experience required and used this as a basis to consider alternative candidates (as set out above);
b) Considered factors prescribed in the Local Government Act, along with encouraging diversity, Council's objectives for CCHL and subsidiaries, the ultimate ownership relationship Council has with CCHL and subsidiaries and succession planning requirements for each Board;
c) Taken account of the core competencies expected of all Directors, including:
    - sound judgement and decision making;
    - a public service ethos;
    - high standards of integrity;
    - commercial and governance experience;
    - clear communication skills;
    - teamwork and collaboration effectiveness;
    - ability to think strategically;
    - risk assessment and contingency management skills;
    - commitment to principles of good corporate citizenship; and
    - an understanding of the wider interests of the Council, as a publicly accountable shareholder.

Having completed this process, the CCHL Board has approved the following recommended appointment for Council to now consider and approve.

2

Paul Munro to the Orion NZ Limited Board

Paul is the outgoing CEO of CCHL having been in this CEO role since mid-2016 Paul has a very strong understanding of:

- The risks and opportunities facing the EDB sector;
- The CCTO model and ownership framework;
- The expectations of both shareholders, including an understanding of the wider interests of both Councils, as a publicly accountable shareholders.

Paul's strong understanding of the EDB sector has been developed through his current CCHL CEO role (where CCHL is the majority shareholder in Orion), and also his Board role as Audit Committee Chair on Electricity Ashburton Ltd, and his previous role as Audit Committee Chair of the Orion Board (2012-2016).

Paul brings significant commercial governance experience including significant experience as Board Chair or Board sub-committee Chair across his current and former board roles. Specifically in terms of Board leadership experience, as noted above Paul is the Independent Chair of Online Distribution (a privately owned national 3PL business), the previous Board meeting Chair of Spanbild Holdings Ltd (the name behind Versatile, Totalspan, Portabuild, Ideal Homes and Concision), the current Audit Committee Chair of Electricity Ashburton (with this Audit Committee being a Committee comprising the full Board), the previous Audit Committee Chair of Orion and he has been leading CCHL since 2016 as CEO. The CCHL Board are therefore very confident Paul has the governance and leadership experience to take on this Chair role at Orion.

Paul had a 24 year career at Deloitte prior to stepping down as a Deloitte Corporate Finance Partner in 2016 to take on the CCHL CEO role, with his Deloitte experience including being the appointed Investigating Accountant for a number of IPOs including the Meridian Energy IPO, which illustrates Paul's wider electricity sector experience and capability.

Paul was made a Fellow of Chartered Accountants Australia and New Zealand (*CAANZ*) in 2019 for his contribution to the accountancy profession and Paul is a Chartered Member of the New Zealand Institute of Directors.

RECOMMENDATIONS:

It is recommended that Council:

1. Approve the appointment of Paul Munro to the Orion NZ Limited Board immediately for an initial term running through to the 2022 Orion AGM.

Jeremy Smith
Chair

3

25. CMUA Project Delivery Ltd - Early Works Strategy: Financial Delegation

Reference Te Tohutoro:	22/168514
Report of Te Pou Matua:	Mark Noonan – Project Director, Vertical Capital Delivery Mark.Noonan@ccc.govt.nz Jo van den Heever – Procurement Manager, Infrastructure and Operations Johan.vandenHeever@ccc.govt.nz
General Manager Pouwhakarae:	Mary Richardson – General Manager, Citizens and Community Mary.Richardson@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)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).
Plain English Reason:	Sensitivity regarding the project budget including escalation and contingency provisions.
Report can be released:	31 August 2022 Review and approval of the Design and Construct Contract with BESIX Watpac

1. Purpose of the Report Te Pūtake Pūrongo

1.1 The purpose of this report is to approve financial delegation to the Chief Executive, to execute the variation for the Early Works Strategy already approved by Council on 9 December 2021 (Resolution CNCL_2021_00185).

1.2 The Recommendation and Resolution obtained on 9 December 2021 was as follows:

1.2.1 Approve the Early Works Strategy as recommended by the CMUA Project Delivery Limited Board, requesting that the Board proceed with the following:

- Kōtui going to the market to secure pricing on approximately $96.1m of the Design & Construct (D&C) contract value; and

- Varying the PCSA contract with Kōtui to enter Early Works contracts up to the value of $36.8m. Note: approximately $11.6m of the $36.8m will have been expended prior to award of the D&C contract, with a further estimated cost of $10m potentially having to be paid for indented structural steelwork ordered for the arena's West Stand and Bowl.

1.2.2 Note that the cost of the Early Works Strategy is funded within the currently approved project budget. The Preliminary Design estimate from BESIX Watpac was received on 09 December 2021 at which point the contingency provisions were reviewed including the preparation of an updated Quantitative Risk Assessment (QRA). The updated QRA was provided to Council in the briefing of 25 January 2022.

1.2.3 Note that the report can be released by 31 August 2022, on acceptance of the design and construct contract with BESIX Watpac.

1.3 Refer to **Attachment A – Council Paper 27. CMUA Project Delivery Ltd – Early Works** and **Attachment B – Council Resolution CNCL_2021_00185** for copies of the original Recommendation and Resolution.

1.4 The decision sought under this paper is as follows:

1.4.1 Financial delegation to the Chief Executive to execute the variation for the Early Works Strategy already approved by Council on 9 December 2021 (Resolution CNCL_2021_00185);

1.5 The decision in this report is of low significance in relation to the Christchurch City Council's Significance and Engagement Policy. The level of significance was determined on the basis that this decision relates to a correction of a previous decision taken. The only additional requirement is to obtain financial delegation to the Chief Executive.

2. Officer Recommendations Ngā Tūtohu

That the Finance and Performance Committee:

1. Delegate financial authority to the Chief Executive to execute a variation on contract 4600003662 PCSA Canterbury Multi-Use Arena with BESIX Watpac NZ (CMUA) Limited for the Early Works Strategy

3. Reason for Report Recommendations Ngā Take mō te Whakatau

3.1 To obtain financial delegation for the Chief Executive to execute a variation on contract 4600003662 PCSA Canterbury Multi-Use Arena with BESIX Watpac NZ (CMUA) Limited for:

3.1.1 Early contract works strategy as set out in the paper presented in December 2021, refer **Attachment A – Council Paper 27. CMUA Project Delivery Ltd – Early Works**

4. Alternative Options Considered Ētahi atu Kōwhiringa

4.1 All procurement approvals must comply with the delegation levels set out in Council's Delegations Register.

4.2 No alternative options are available and therefore not considered.

5. Detail Te Whakamahuki

5.1 The citizens of Christchurch City expect Council to comply with its own delegation levels set out in Council's Delegations Register

5.2 The decision affects the following wards/Community Board areas:

5.2.1 All 16 Wards and seven Community Boards in Christchurch

6. Policy Framework Implications Ngā Hīraunga ā- Kaupapa here Strategic Alignment Te Rautaki Tīaroaro

Strategic Alignment Te Rautaki Tīaroaro

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

6.1.1 Activity: Recreation, Sports, Community Arts and Events

- Level of Service: 7.0.1.1 Provide citizens access to fit-for-purpose network of recreation and sporting facilities - 38 x Recreation & Sport facilities are available for use (Te Pou Toetoe open) enabling active citizenship and connected communities.

6.1.2 Maximising opportunities to develop a vibrant, prosperous and sustainable 21st century city.

Policy Consistency Te Whai Kaupapa here

6.2 The decision is consistent with Council's Plans and Policies. In particular:

6.2.1 Council's Procurement Policy and Framework

6.2.2 Council's Delegations Register

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.

6.4 This decision is purely procedural to obtain Financial Delegation.

6.5 Impact on Mana Whenua was reported on under the December 2021 paper attached as **Attachment A – Council Paper 27. CMUA Project Delivery Ltd – Early Works**.

Climate Change Impact Considerations Ngā Whai Whakaaro mā te Āhuarangi

6.6 This report does not consider climate change impact, as it only relates to Financial Delegation.

Accessibility Considerations Ngā Whai Whakaaro mā te Hunga Hauā

6.7 Not applicable.

7. Resource Implications Ngā Hīraunga Rauemi

Capex/Opex Ngā Utu Whakahaere

7.1 Cost to Implement – Total financial impact of the variation is $36.8M ; total contract value now being $60.8M

7.2 Funding Source – Canterbury Multi Use Arena budget.

Other He mea anō

7.3 Monthly reporting to the Finance and Performance Committee on progress as noted in **Attachment A – Council Paper 27. CMUA Project Delivery Ltd – Early Works**

8. Legal Implications Ngā Hīraunga ā-Ture

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

8.1 The Council has the legal ability to enter into contracts for the procurement of services, however to do so it needs to act in accordance with Section 14 of the Local Government Act

2002 (LGA) 2002. The LGA 2002 (Section 14) details the principles relating to local authorities. The principles most relevant to the Council's procurement activity are:

8.1.1 In performing its role, a local authority must act in accordance with the following principles:

- a local authority should-
    - conduct its business in an open, transparent, and democratically accountable manner; and
    - give effect to its identified priorities and desired outcomes in an efficient and effective manner.
- a local authority should undertake any commercial transactions in accordance with sound business practices and;
- a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and
- in taking a sustainable development approach, a local authority should take into account-
    - the social, economic, and cultural interests of people and communities; and
    - the need to maintain and enhance the quality of the environment; and

8.1.2 the reasonably foreseeable needs of future development.

Other Legal Implications Ētahi atu Hīraunga-ā-Ture

8.2 The Council must also comply with its Procurement Policy that aligns with the Local Government Act 2002 and the Controller and Auditor-General - Procurement Guidance for Public Entities.

8.3 The total value of the contract is estimated at $65,716,829.34 including this variation This exceeds the delegated authority of all officers, including the Chief Executive.

8.4 Where the delegated financial authority is held by the elected members, a recommendation for a particular officer to sign the contract on their behalf must be included as part of the report.

9. Risk Management Implications Ngā Hīraunga Tūraru

9.1 All risks with regards to the Escalation Cost, Contingency, Material delays and Lack of skilled resources were report on in the December 2021 paper, **Attachment A – Council Paper 27. CMUA Project Delivery Ltd – Early Works**

9.2 Going back to the Finance and Performance Committee to correct and clarify a previous Recommendation and Resolution, mitigates non-compliance with Council's own Procurement Policy and Procurement Framework.

Attachments Ngā Tāpirihanga

No.	Title	Page
A	Council Paper 27 CMUA Project Delivery Ltd – Early Works	110
B	Council Resolution CNCL_2021_00185 Council Resolution CNCL_2021_00185 Council Resolution CNCL_2021_00185	124

Additional background information may be noted in the below table:

Document Name	Location / File Link
Nil	Nil

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

Author	Jo van den Heever - Manager Procurement
Approved By	Rebecca Smith - Head of Procurement & Contracts Brent Smith - Acting Head of Vertical Capital Delivery Leah Scales - Acting General Manager Resources/Chief Financial Officer

27. CMUA Project Delivery Ltd - Early Works Strategy

Reference Te Tohutoro:	21/1604440
Report of Te Pou Matua:	Alistair Pearson, Manager Major Facilities Vertical Capital Delivery Alistair.pearson@ccc.govt.nz
General Manager Pouwhakarae:	Barry Bragg, Chair CMUA Project Delivery Ltd

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)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.
Plain English Reason:	Sensitivity regarding the project budget including escalation and contingency provisions.
Report can be released:	31 August 2022 Acceptance of the Design & Construct Contract with BESIX Watpac

1. Purpose of the Report Te Pūtake Pūrongo

1.1 The purpose of this report is to:

1.1.1 Update the Council on the Canterbury Multi Use Arena (CMUA) Preliminary Design outputs since the 12 August 2021 RT1@30 project reset.

1.1.2 Seek approval for the Early Works Strategy as set out in clause 3.2 of this report. The Early Works Strategy covers the procurement of detailed design consultants, materials & sub trade contractors, and onsite construction works.

1.2 The decisions in this report are of low to medium significance in relation to the Christchurch City Council's Significance and Engagement Policy. The decision to build the CMUA was of high significance, however, the decision to adopt an Early Works Strategy is not.

2. Officer Recommendations Ngā Tūtohu

That the Council:

1. Approve the Early Works Strategy as recommended by the CMUA Project Delivery Limited Board. This would mean requesting that the Board proceed with the following:

   a. Kōtui going to the market to secure pricing on approximately $96.1m of the Design & Construct (D&C) contract value; and

   b. Varying the PCSA contract with Kōtui to enter Early Works contracts up to the value of $36.8m. Note: approximately $11.6m of the $36.8m will have been expended prior to award of the D&C contract, with a further estimated cost of $10m potentially having to be paid for indented structural steelwork ordered for the arena's West Stand and Bowl.

2. Note that the cost of the Early Works Strategy is funded within the currently approved project budget. The Preliminary Design estimate from BESIX Watpac is due 09 December 2021 at which point the contingency provisions will be reviewed including the preparation of an updated Quantitative Risk Assessment (QRA). The updated QRA will be reported to Council.

3. Note that the report can be released by 31 August 2022, on acceptance of the design and construct contract with BESIX Watpac.

3. Reason for Report Recommendations Ngā Take mō te Whakatau

3.1 In order to respond to the V2.1 Programme risks and the very strong probability that cost escalations will exceed 6% leading to the additional $58m of cost exposure flagged to the Council on the 12 August 2021, the CMUA Project Delivery Limited Board recommends that Council approve the Early Works Strategy (refer to clause 3.2). This would mean delegating the following approvals to the Board:

- Kōtui going to the market to secure pricing on approximately $96.1m of the D&C contract value; and
- Varying the PCSA contract with Kōtui to enter Early Works contracts up to the value of $36.8m. Note: approximately $11.6m of the $36.8m will have been expended prior to award of the D&C contract, with a further estimated cost of $10m potentially having to be paid for indented structural steelwork ordered for the arena's West Stand and Bowl.

Early Works Strategy

3.2 The Early Works Strategy covers the procurement of Detailed Design consultants, materials & sub trade contractors, and onsite construction works. These are summarised as follows:

- Structural Steel elements - early indent of primary members to the West Stand and Bowl;
- Ground Improvement - to ensure that bespoke design, consenting and onsite works can commence early;
- Site Decontamination - to remove any contaminants identified from the additional geotechnical investigations;
- Design and Construct service disciplines that have substructure interfaces - to ensure that the structural design is coordinated with the relevant services;
- Ethylene tetrafluoroethylene (ETFE roof) subcontractor appointed to enable secondary steel to be designed and coordinated with the primary roof structural steel design and procurement; and
- Site establishment.

3.3 These items have been proposed in order to effectively integrate the design, consenting, procurement and construction in a strategic way that enables the critical tasks to start on site and be procured in a timely manner. Further, this early engagement is considered necessary to provide greater cost certainty and to assist in on-going cost planning.

3.4 **Market Analysis (Steel)**

3.4.1 The market is indicating that the lead time on steel is greater than normal and there has been significant disruption to construction supplies due to the Covid-19 pandemic. Alert levels at the local level are likely to fluctuate over time and there is a risk that the international response to Covid-19 will further exacerbate the NZ market and supply chain. Key issues are noted below:

- Volatility of costs from suppliers given challenges with domestic and international supply chains;
- Fluctuating iron ore prices and capability to manufacture raw product; and
- Suppliers are unable to meet project timeframes due to unavailability of key personnel, logistical impacts (transport network) and impact of personnel through isolation/quarantine requirements.

3.4.2 Construction demand in New Zealand and globally is currently high and there is significant future work forecast across the private, local government and central government sectors as the economy continues its recovery from the impact of Covid-19. It is anticipated that this project will be a key target for key suppliers given its scale and confirmed funding. This gives the project the opportunity to achieve active engagement from the market encouraging a competitive pricing outcome.

3.5 Pre Contract Services Agreement (PCSA)

3.5.1 The PCSA had anticipated the requirement for an Early Works Strategy and includes a provision for the Contractor to undertake early sub trade engagement and procurement. Advice from Council's legal counsel suggests should BESIX Watpac enter into a contract with a supplier, this will be treated as a Service Variation under the PCSA, with applicable terms and conditions to enable novation or termination by the Council should BESIX Watpac be unsuccessful with their Final Bid.

3.6 Cost Commitments

3.6.1 Costs associated with the Early Works are outlined in the table below:

PROPOSED EARLY WORKS – SUMMARY			
ITEM	FINAL BID VALUE (TBC)	INITIAL COMMITTED VALUE	EXPENDED VALUE
Consultants	14,496,044	10,434,344	3,903,846
Trade Works	81,605,092	21,730,149	3,454,278
On Site Preliminaries *	*	2,533,442	2,533,442
Other Contractual Allowances *	*	2,094,599	1,719,599
TOTAL	96,101,136	36,792,534	11,611,164
Percentage of D&C Contract [redacted]	[redacted]	[redacted]	[redacted]

3.6.2 At all stages of the project, pricing will continue to be verified by AECOM, the Price Verifier and Cost Consultant, providing analysis against benchmark projects and current market rates.

3.7 Risk Management

3.7.1 At its 05 November 2021 meeting, the Board discussed with BESIX Watpac the risks of proceeding with the Early Works Strategy and where the risk allocation would sit for the structural steel procured for the West Stand and Bowl e.g. if the steel indented was the incorrect size. BESIX Watpac confirmed the risk would be with them. The risk to the Council would be if the steel was purchased, but the Council and BESIX Watpac could not reach agreement at the Final Bid stage and subsequently did not proceed with the Kōtui design.

3.7.2 There is also an incremental risk that approving the Early Works Strategy leads to Kōtui overinflating the Final Bid and/or accepting less risk for the D&C Contract - the CMUA Project Delivery Limited Board does not believe that there is any material increase in risk that Kōtui will inflate its Final Bid or push more risk than expected back to the Council for the D&C contract. This is because the Board believe we have experienced independent price verification and design verification processes in place to hold Kōtui to account. The Board also believe that BESIX Watpac are still highly motivated to use the CMUA to secure other major construction projects in NZ and will not want to risk its market reputation in NZ and internationally if its Final Bid was not accepted due to inflated costs or unfair contract terms.

3.7.3 Financial Risk to the Council if the CMUA does not proceed - the sunk costs if the project does not proceed at the time the Final Bid and D&C contract is considered in July 2022 will be as follows:

- Enabling Works [redacted]
- CMUA Governance & Project Team [redacted]
- PCSA Contract [redacted]
- Early Works Strategy $21.6m ($11.6m + up to $10m for indented structural steelwork)
- Total CMUA Sunk Cost (up to the end of PCSA phase – July 2022) $62.7m

3.7.4 If the Early Works Strategy does not proceed, the CMUA Project will incur a six month delay with additional escalation cost for that programme delay.

3.7.5 Taking into account the above, the Board believes that there is some risk with adopting the Early Works Strategy, but overall it is the preferred approach i.e. the benefits outweigh the risks.

3.8 Cost Escalation

3.8.1 Implementing the Early Works Strategy means the project is completed on 30 June 2025 - some five months earlier than if the Early Works don't proceed.

3.8.2 This will also reduce the risk on cost escalation pressures.

3.8.3 Assuming an escalation rate of 3%, BESIX Watpac estimate that this would equate to an additional escalation cost of approximately $5m if Early Works don't proceed.

3.8.4 BESIX Watpac have noted that there are several benefits to this approach which will add value to the delivery of the CMUA project, including :

- Programme, with works being delivered sooner;
- De-risk supply of structural steel and ETFE;
- Earlier cost certainty on tendered trades;
- Mitigation of additional project cost (including cost escalation);
- Design continuity and efficiency;
- Greater and earlier level of understanding associated with any decontamination of the existing site; and
- Consenting undertaken earlier.

3.9 Early Works Strategies in the Current Market

3.9.1 Most of the major projects are doing it, or at least thinking really hard about it. Some examples of this are detailed below:

- The Outpatients Building in Dunedin Hospital (15,000m2) has gone to market for black steel and façades ahead of picking a contractor;
- Dunedin Hospital generally is doing everything up to pile caps as a separate package;
- Taranaki Hospital let a $40m Enabling Works package which takes the project up to the underside of the base isolators (they are direct procuring base isolators, façade and primary structure from the market for later novation to the contractor);
- The ACC Building in Dunedin has a separate Enabling Works package including piling; and
- AgResearch new Lincoln Facilities - $97.8m overall project cost (structural steel and reinforcing steel purchased prior to award of main construction contract).

4. Alternative Options Considered Ētahi atu Kōwhiringa

4.1 Should Council not proceed with the Early Works Strategy, Council would have to consider the following:

- Further risk of unknown cost escalations;
- Programme impact with delivery in Q4 2025; and
- Not meeting public expectations.

4.2 Council could pause the project until the market indicated less volatility in the supply chain. This is not a consideration as the public expectation will not be met and the project will still be exposed to the escalation risk.

5. Detail Te Whakamahuki

Background

5.1 Following the Canterbury Earthquake Sequence in 2011-2012, the Christchurch Central Recovery Plan (CCRP) in 2012 identified the development of a multi-purpose sports and entertainment venue/stadium as a replacement for the earthquake damaged AMI Stadium at Lancaster Park.

5.2 The CCRP identified a six-hectare site as the location for the new permanent facility within the vision for a new city CBD. This site comprises most of the three city blocks bounded by Hereford, Barbadoes, Tuam and Madras Streets. The site was designated, and the Crown, through LINZ, acquired property within the Designation.

5.3 Funding of the Project is confirmed within Council's 2015-2025; 2018-2028 and 2022-2032 Long Term Plans. An agreement between Council and the Crown has been finalised that confirms the Crown's funding commitment to the Project.

PCSA Contract

5.4 Following a robust procurement process, a preferred contracting partner, BESIX Watpac NZ (CMUA) Limited (Kōtui), was identified for the design and build of the CMUA.

5.5 The Pre Contract Services Agreement (PCSA) contract now has an estimated timeframe of around 15 months. On conclusion of the PCSA phase, BESIX Watpac NZ (CMUA) Limited (Kōtui) will submit a Final Bid for a fixed price lump sum Design and Construct (D&C) phase. Under the

PCSA, there is the option to not accept BESIX Watpac NZ (CMUA) Limited's Final D&C Bid, in which case the Council can go to market for a D&C contractor using the design documentation prepared during the PCSA phase.

Preliminary Design update since the 12 August 2021 RT1@30 project reset

5.6 CMUA Project Delivery Limited have re-scoped the CMUA project based on the decisions by Council on 12 August 2021 and subsequent resolutions 1-4:

1. Agrees that BESIX Watpac NZ (CMUA) limited (Kōtui) be instructed to develop a Preliminary Design:
   a. within the agreed Maximum Design & Construct (D&C) Contract Price;
   b. with design fundamentals, including an ethylene tetrafluoroethylene (ETFE) roof, permanent in-situ natural turf, quality acoustics, level 1 concourse, and multi-purpose functionality;
   c. which has a minimum seating capacity of 30,000 (including a minimum of 25,000 permanent seats);
2. Notes further design phases will give further clarity and certainty of costs and risk contingency.
3. Notes the Preliminary Design in resolution 1. above will impact on the overall Project budget.
4. Notes that the budget includes an estimated 3% escalation (across the remaining period of the Pre-Contract Services Agreement) but there is a risk of additional unbudgeted escalation in the final Construction price. If the unbudgeted escalation materialised, additional funding would need to be identified before the Council resolved that the Canterbury Multi Use Arena project should proceed to Design & Construct Contract.

5.7 Cost Estimates in the 12 August 2021 Council Report for minimum seating capacity of 30,000 in RT1@30 (refer table 2) included an estimate of the potential exposure from increased escalation and other risks not allowed for or anticipated. This highlights that, even in the absence of additional seats, there are likely additional costs due to escalation and financial risks that Council would need to address.

Table 2: Cost Estimates for Additional Seating in RT1

	Sports mode seating	BESIX Watpac Construction Price Estimate (including 3% Escalation)	Additional Exposure (6% Escalation and not allowed for or anticipated risks)
RT1@25	25,000 seats	$396M D&C Estimate	$24.6M additional exposure if 6% escalation + $10-$30M if other un-allowed for or anticipated risks materialise
RT1@27.5	27,500 seats	$406M D&C Estimate **Additional $10M**	$25.4M additional exposure if 6% escalation + $10-$30M if other un-allowed for or anticipated risks materialise
RT1@30	30,000 seats	$446M D&C Estimate **Additional $50M**	$27.8M additional exposure if 6% escalation +

			$10-$30M if other un-allowed for or anticipated risks materialise

5.8 The first priority post the 12 August 2021 Council decision was to reset the CMUA Project Team. The CMUA Project Control Group led a review of the Design Brief confirming all scope inclusions and exclusions with Kōtui. The CMUA Project Control Group then met with all of the key users and stakeholders to discuss the Design Brief with cost and scope management more prevalent and a formal change management process was put in place. On the 26 August 2021, a PCSA Principal's notice was issued to Kōtui to formally capture the Council decision and request a response on the effects of this decision on the PCSA Programme and the additional PCSA costs noting the Concept Design phase delays and to complete the Preliminary Design and Developed Design. Kōtui's response was received in October 2021 and is being reviewed by RCP and AECOM. That review is almost completed and a PCSA cost variation is likely to be approved. Kōtui has also accepted the residual Concept Design Brief Amendments so that the Project Brief now matches the 30,000 seat scope in RT1@30.

5.9 The Programme revision V2.1 produced by Kōtui was presented on 01 October 2021 to the CMUA Project Delivery Limited Board Meeting. It showed an indicative CMUA opening date of 24 November 2025 compared to the version 1.7 Programme completed during the Concept Design phase which showed a 20 December 2024 indicative CMUA opening date. The CMUA Project Control Group reviewed the V2.1 Programme and summarised the reasons for the delay as:

- The Concept Design phase was delayed until the RT1@30 ratification on the 12 August 2021– the V2.1 Programme shows the D&C award date of 05 July 2022 being a 13.6 week delay;
- The Preliminary Design phase is informing the construction methodology to build the CMUA and this provides a higher level of detail to programme the build - the V2.1 Programme shows an increase in the D&C duration of 3.2 weeks and eight weeks construction contingency ; and
- Allowance for the disruption of the supply chain of materials and the limited capacity of the NZ construction market. The V2.1 Programme shows an increase in the D&C duration of 5 months.

5.10 The CMUA Project Control Group presented a review of the V2.1 Programme to the 05 November 2021 CMUA Project Delivery Limited Board meeting noting that the V2.1 Programme had appropriate detail and adequate logic to produce a robust critical path to the indicative CMUA opening date. While there is some float in the programme it is limited. Therefore the Early Works Strategy must be implemented to bring the indicative project opening date back to 30 June 2025.

5.11 The CMUA Project Control Group met on the 30 August 2021 to develop the CMUA's first comprehensive Risk Register noting the following key risks to the 03 September 2021 CMUA Project Delivery Limited Board Meeting.

	Risks/ Issue Description	Impact
1	Proposed Value Management Savings associated with RT1-30k scope are not fully achieved when fully reviewed and verified (AE03)	Additional Value Management initiatives or deletions of scope are necessary to meet the budget limit or additional budget is required to fund the increased project cost
2	Capability and capacity in the supply chain and trades inc specialised plant requirements is constrained and supply chains adversely affected by the current pandemic restrictions globally (C0051)	Additional Value Management initiatives or deletions of scope are necessary to meet the budget limit or additional budget is required to fund the increased project cost
3	Ground conditions are not as expected with levels of contamination, issues with bearing capacity etc. requiring additional levels of remediation (C0026)	Additional resources are required to engineer a solution which, should it occur during construction will also impact the project schedule and ultimately increase project cost
4	Uncertainty in the requirements for any Green building certification e.g. carbon accounting for construction activities and/or design requirements to meet Council carbon commitments and achieve a GreenStar© or equivalent rating (C008)	Potential for additional, unbudgeted cost in monitoring and implementation, particularly when design needs to be revisited
5	Decisions made in specifying the service level and design requirements do not fully consider the trade-off between construction cost and operating costs to optimise the whole of life cost to Council (C009)	Project delivers a solution that prioritises initial capital cost over ongoing operational cost throughout the 50 year asset life

5.12 The CMUA Project Delivery Limited Board reviewed this Risk Register on the 20 September 2021. The Board noted that Value Management initiatives would be investigated and Early Works packages were being explored to mitigate the very high and high risks. The Board also requested that a "bow tie" analysis of the very high risks be completed. The Board reviewed the Risk Register on the 17 November 2021 and a further review will take place at the end of the Preliminary Design phase (i.e. due on the 09 December 2021).

5.13 Kōtui has presented Preliminary Design updates to the CMUA Project Delivery Limited Board meetings on the 03 September, 01 October and 05 November 2021. At the Board meeting on 05 November 2021, Kōtui and consultants presented on the structural design and seismicity considerations, the Early Works Strategy, acoustics, exterior structure, façade and external pedestrian movement considerations. The Board endorsed the comprehensive analysis and substantive methodologies supporting the Preliminary Design work and the strong focus on the capital and Whole-of-Life considerations. The Preliminary Design work will be presented in detail at the first available 2022 Council Meeting.

5.14 AECOM, the Project's Price Verifier/Cost Consultant, has presented cost updates to the CMUA Project Delivery Limited Board Meetings on the 03 September, 01 October and 05 November 2021. At the 05 November 2021 meeting, the Board discussed AECOM's report in light of the V2.1 Programme, the CMUA Project Control Group Risk Report, the Preliminary Design update presentations from Kōtui and the latest market updates on supply chain cost escalations. While the Board noted that the CMUA Project Control Group was investigating approximately $10m in Value Management initiatives, the Board also supports AECOM's advice that there is a very strong probability that the cost escalations will exceed 6% and combined with allowances for other anticipated risks the additional $58m of cost exposure flagged to the Council on the 12 August 2021 (refer Table 2) will be realised when the Final Bid and D&C contract is presented to Council in July 2022.

The Board believes it is prudent for the Council to understand that the following challenging and unique construction market circumstances have worsened since the 12 August 2021 meeting and these conditions are accentuating cost escalation in the construction sector, both now and for some time yet:

- The world is trying to recover from a global pandemic equivalent in impact to the Spanish influenza epidemic post World War 1;

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- Economies have been vastly stimulated by quantitative easing to offset recessionary impacts, and this is creating the potential for strong inflationary impacts;
- Global supply chains remain fractured and the movement of building materials out of Asia is particularly affected by this;
- The COVID pandemic is still affecting NZ's supply chain and may continue to do so for some time yet; and
- In response to the pandemic, construction demand in NZ has been overly stimulated to create a situation where demand exceeds capacity of the construction sector and currently many building materials are being made available on an allocation basis only. It is not possible to forecast how long this situation will persist.
- The following is an excerpt from AECOM's report to the 05 November 2021 Board Meeting:

1.3 Budget

RT1-30 BUDGET AS PER 12 AUGUST COUNCIL REPORT	AMOUNT
Project budget (incl. $396m max D&C allowance)	483,165,830.00
Add 5,000 seats (25,000 permanent seats with space provision for 5,000 temporary seats by others)	50,000,000.00
12 AUGUST COUNCIL REPORT BUDGET TOTAL	**533,165,830.00**
Risk - additional escalations (up to 6%)	27,800,000.00
Allowance for other anticipated risks (min)	10,000,000.00
Additional allowance for other anticipated risks (max)	20,000,000.00
12 AUGUST COUNCIL REPORT ESTIMATE TOTAL	**590,965,830.00**

The 12 August Council Report sought approval of additional budget of $50m (total budget $533m) for the RT1-30 scheme. The report also highlighted that further risks of up to $57.8m may be realised.
The approved Project Budget is $533,165,830.00, no change from the previous month.
Confirmed funding and underwritten (pending funding) amounts match the Project Budget of $533,165,830.

1.4 Estimate at Completion

BUDGETED EAC STATUS TABLE	BUDGET	EAC	VARIANCE
Subtotal excl. Contingencies	[redacted]	[redacted]	[redacted]
I1_Design and Construct Contingency [Risk P50 QRA]	[redacted]	[redacted]	[redacted]
J1_Unallocated Contingency [Risk Delta P50 to P85 QRA]	[redacted]	[redacted]	[redacted]
TOTAL	533,165,830.00	[redacted]	[redacted]

The current EAC of [redacted] is [redacted] over the approved project budget of $533,165,830.00. Refer to section 4.2 for a full [redacted]
The current EAC of [redacted] s [redacted] under the maximum estimated cost of RT1-30 (of $590,965,830.00) as communicated to Council in briefing papers dated 12 August 2021. Refer to section 3.1 for a summary of the RT1-30 estimate.
The current EAC of [redacted] is an increase of [redacted] rom the previous status.
The main reasons f[redacted]se are (1) revised Kotui D&C estimate [redacted] (2) programme extension of six months [redacted] and (3) allowance for Early Works services fees [redacted]

- The CMUA Board believes the following diagram best represents its expectation that the final D&C bid from Kōtui will use up the 12 August 2021 budget contingency plus most of the additional risk sum of $58m flagged at that meeting for additional cost escalations above 6% and unallocated risks.

Christchurch City Council

CMUA BUDGET AS AT 12 AUGUST 2021										
Currently Authorised to CMUA Project Delivery Limited Board					Budget held by Christchurch City Council			Additional Risk Estimate		
OTHER WORKS	ENABLING WORKS	INSURANCE	GOVERNANCE & PROJECT TEAM	PCSA CONTRACT	D & C CONTRACT	ALLOCATED CONTINGENCY	UNALLOCATED CONTINGENCY	ADDITIONAL COST ESCLATIONS	UNANTICIPATED RISKS	UNANTICIPATED RISKS
[redacted]					[redacted]			$27.8M	$10M	$20M
[redacted]					[redacted]			$57.8M		
12 AUGUST 2021 RT1@30 BUDGET $533.17M										
12 AUGUST 2021 RT1@30 COUNCIL REPORT BUDGET – WORST CASE (incl. Additional Risk Estimate) [redacted]										

09 DECEMBER 2021 COUNCIL MEETING - CMUA BOARD UPDATE & RECOMMENDATION								
To Be Authorised to CMUA Project Delivery Limited Board						Budget held by Christchurch City Council		
OTHER WORKS	ENABLING WORKS	INSURANCE	GOVERNANCE & PROJECT TEAM	PCSA CONTRACT	EARLY WORKS STRATEGY	D & C CONTRACT (EXCLUDING EARLY WORKS)	D & C CONTINGENCY	UNALLOCATED CONTINGENCY
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	$36.8M	[redacted]	[redacted]	[redacted]
09 DECEMBER 2021 CMUA BOARD UPDAT[redacted]						[redacted]		
09 DECEMBER 2021 CMUA BOARD UPDATE (incl. Additional Risk Estimate) [redacted]								

6. Policy Framework Implications Ngā Hīraunga ā- Kaupapa here

Strategic Alignment Te Rautaki Tīaroaro

6.1 This report supports the Council's Long Term Plan (2021 - 2031).

6.2 From the Council's Strategic Framework and the Local Government (Community Wellbeing) Amendment Bill 2019, the Strategic Priorities most relevant to the proposed Arena are:

- Enabling active citizenship and connected communities.
- Maximising opportunities to develop a vibrant, prosperous and sustainable 21st century city.

Policy Consistency Te Whai Kaupapa here

6.3 The decision is consistent with Council's Plans and Policies. In particular:

6.3.1 Council's Procurement Policy and Framework.

6.3.2 Council's 30 year Infrastructure Strategy 2016 – the CMUA will improve the provision of civic facilities within the city.

6.3.3 Christchurch Economic Development Strategy 2017 – the CMUA will enhance city amenities, attracting people, business, investment and visitors to the city and accelerating the regeneration of the CBD.

6.3.4 Christchurch Major Events Strategy 2018 – the CMUA will attract high-quality events that are recognised worldwide and make a positive contribution to the communities' perception of their quality of life (civic pride).

6.4 The city's Major Events Strategy notes major events deliver the following benefits:

6.4.1 Generate significant immediate and long-term economic, social and/or cultural benefit to Christchurch; and/or,

6.4.2 Attract significant numbers of international, as well as national, participants and spectators; and/or, 6.4.3 Are pivotal in building the Christchurch brand because it has a national profile outside of the Canterbury region and generates media coverage in markets of interest for tourism and business opportunities.

6.5 Christchurch's Major Events Strategy is designed to address Christchurch's structural disadvantage in relation to the national events landscape which occurred as a consequence of the disruption of the 2010 and 2011 earthquakes. A return of major events to Christchurch to stimulate further economic activity is an important factor in the city's ongoing regeneration.

Impact on Mana Whenua Ngā Whai Take Mana Whenua

6.6 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.

6.7 The CCRP identified the six-hectare site as the location for the new permanent CMUA facility. This site comprises most of the three city blocks bounded by Hereford, Barbadoes, Tuam and Madras Streets. Any impact on Mana Whenua would have been addressed and resolved when the site was designated.

6.8 Council staff have consulted Matapopore about the Investment Case and work is continuing through the design process to involve Mana Whenua. A Cultural Design Framework has been prepared by Matapopore to help inform the design principles for the arena.

6.9 Mana Whenua have been involved in the project and there is a Mana Whenua appointment to the Board.

Climate Change Impact Considerations Ngā Whai Whakaaro mā te Āhuarangi

6.10 The construction and operation of any large building, such as the arena, will have an impact on global energy use and energy-related carbon dioxide emissions.

6.11 The design stage of the project will provide opportunities to further investigate and demonstrate climate change leadership and resilience.

6.12 Environmental and Sustainability outcomes formed part of BESIX Watpac NZ (CMUA) Limited's proposal and they included a Sustainability/Environment Manager under their Key Personnel for the PCSA phase. They also have an international ESD consultant Mott MacDonald and have completed a Sustainability Strategy report.

6.13 Environmentally Sustainable Design (ESD) and social responsibility is a Functional & Design Requirement under the CMUA Project Brief and will be taken into account throughout the design stages, including the goal to reduce embodied carbon.

6.14 The project will report back to the Council on options to assess the embodied carbon of the proposed CMUA (including construction, physical structure and operational energy use) and actively lower it during the design and build phases.

Accessibility Considerations Ngā Whai Whakaaro mā te Hunga Hauā

6.15 The design stage of the project will provide opportunities to further investigate and demonstrate accessibility considerations.

6.16 Strawbridge Accessibility forms part of BESIX Watpac NZ (CMUA) Limited's team to ensure accessibility is properly assessed and addressed during the PCSA phase.

6.17 Design standards & guidelines, including accessibility is a Functional & Design Requirement under the CMUA Project Brief and will be taken into account throughout the design stages.

7. Resource Implications Ngā Hīraunga Rauemi

Capex/Opex Ngā Utu Whakahaere

7.1 The recommendation to approve the Early Works Strategy will be funded within the existing budget to mitigate the forecast maximum unfunded contingencies. The financial risk is that sunk costs will be increased per section 3.16 above.

7.2 The August paper signalled unfunded contingencies as detailed above.

7.3 If the unfunded contingencies are fully realised this will impact on our rates position in the FY25/26 years, with a potential rates impact of 0.41% in FY26.

Other He mea anō

7.4 Given the significance of the potential impact of the contingency being required, we recommend a monthly report to Finance and Performance on progress, especially up to the date of the Final Bid and D&C contract being presented to Council in July 2022.

8. Legal Implications Ngā Hīraunga ā-Ture

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

8.1 Project management activity as set out in the PCSA is comprehensive and clear. During the tender period, BESIX Watpac NZ (CMUA) Limited (Kōtui) benchmarked against other stadia projects, they carried out affordability estimates and reviewed the current design information. They were clear that the Maximum D&C Contract Price was achievable but to achieve the budget they stated that there needs to be stringent cost control throughout the Stage 2 PCSA contract. Any scope creep approved and requested by the Council would have to be offset against savings generated from Value Management workshops. The Contractor's 10 step estimating methodology and the PCSA contract agreement has been designed to manage this process. The PCSA is a valid tool to help achieve this, however collaborative and effective Project Management through each stage of the design is critical for a positive outcome.

Other Legal Implications Ētahi atu Hīraunga-ā-Ture

8.2 The Council has the legal ability to enter into contracts for the procurement of services, however to do so it needs to act in accordance with Section 14 of the Local Government Act 2002 (LGA) 2002. The LGA 2002 (Section 14) details the principles relating to local authorities.

8.3 The principles most relevant to the Council's procurement activity are:

- conduct its business in an open, transparent, and democratically accountable manner;
- give effect to its identified priorities and desired outcomes in an efficient and effective manner;
- a local authority should undertake any commercial transactions in accordance with sound business practices;
- a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and
- in taking a sustainable development approach, a local authority should take into account:
    - the social, economic, and cultural interests of people and communities;
    - the need to maintain and enhance the quality of the environment; and
    - the reasonably foreseeable needs of future development.

9. Risk Management Implications Ngā Hīraunga Tūraru

9.1 This section examines the risk of undertaking the Early Works Strategy.

Escalation Costs

9.2 As noted above, the AECOM and BESIX Watpac Design Estimates currently include a 3% escalation allowance. This would be a typical expected escalation range considering that the official Statistics NZ Non-residential buildings escalation was only 1.9% from Dec 2019 - Dec 2020. However, a significant risk remains that this is not sufficient and it is likely that the Preliminary Design estimate will include a higher escalation allowance.

9.3 Over the last year global steel prices have continued to rise due to a significant escalation in raw material costs. In addition, transport and logistics costs have also been under pressure leading to higher container, shipping and other freight charges.

9.4 The ongoing impact of COVID-19 outbreaks and the resulting emergency measures on international trade are unknown.

9.5 Some reports suggest that upward momentum in international steel prices appears to be slowing (Steel Market Update 2021). Others suggest that steel demand, and prices, will taper in the coming months as more production comes online. However, others predict year-end 2022 as a possibility for starting to see demand settle and supplies catching up, with a corresponding reduction in steel prices.

9.6 The following mitigations for this risk have been identified:

9.6.1 Early Works Strategy; and

9.6.2 Leverage BESIX Group international supply chains.

9.7 Further advice on mitigation strategies is being sort from other parties.

Contingency

9.8 The current P85 QRA risk assessment indicates that 85% of the time the contingency will be sufficient for the known risks. However, at this stage of the project there will be significant unknown risks that will need careful consideration.

Material delays to the project

9.9 The Early Works Strategy needs to commence as soon as possible to mitigate costs. Any cost increase will reduce the budget available for physical works (leading to further scope reduction). To address this an accelerated programme has been adopted (single stage instead of a traditional two stage process), together with the recommended Early Works Strategy.

Lack of skilled resources

9.10 This could reduce the competitive price tension. To mitigate this the Contractor has partnered with local contractors and suppliers. The Contractor also intends to identify subcontractors and suppliers who will need immediate training and upskilling to complete works packages larger than they currently handle.

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

Author	Hannah Gillespie - Project Coordinator Mark Noonan - Project Director Alistair Pearson - Manager Capital Delivery Major Facilities
Approved By	Barry Bragg - Canterbury Multi-Use Arena Project Delivery Limited, Chairman Mary Richardson - General Manager Citizens & Community

Attachments Ngā Tāpirihanga

There are no attachments to this report.

Noonan, Mark

From:	Holly Tudehope <Holly.Tudehope@ccc.govt.nz>
Sent:	Monday, 13 December 2021 4:03 pm
To:	Noonan, Mark
Subject:	ACTION SHEET: CMUA Project Delivery Ltd - Early Works Strategy
Attachments:	Holly Tudehope040324.DOCX

Information Only

COMMITTEE:	**COUNCIL**
MEMO ID:	**42038**
TO:	**NOONAN, MARK - PROJECT DIRECTOR**

Subject

CMUA PROJECT DELIVERY LTD - EARLY WORKS STRATEGY

Attached is a "**For Action**" OR "**For Information**" Memo resulting from the above named meeting

If this item is:

- **For Information** – the memo is a notification only for your information. *No further action in Infocouncil is required.*
- **For Action –** the memo should specify what is required for you to do. You will need to complete the required action **AND** keep Infocouncil up to date with your progress through to completion.

Please note with For Action items:

- If the item has been incorrectly assigned to you please advise the sender as soon as possible (so the action can be sent quickly to the correct officer).
- If the resolution/decision includes a date the action needs to be done by, this will be the set target date. In all other cases a default action due date will be applied of three months after the meeting where the decision was made. If this timeframe is not realistic please update this within the Infocouncil Actions window.
- Please refer to the **Manage Actions Standard Operating Procedure** (HPRM 15/1174761) for guidance on how to update the action in Infocouncil.

Please see the attachment for the action details

1

Information Only

MEMO TO:	Noonan, Mark - Project Director
MEMO ISSUED:	13/12/2021
COPY TO:	Alistair Pearson, Hannah Gillespie
MEETING:	Council Meeting of 9/12/2021

Please note for your information only:

CNCL/2021/00185	**CMUA Project Delivery Ltd - Early Works Strategy**
STAFF REPORT	21/1604440
AGENDA ITEM NO.	27
INITIALDUE DATE OF ACTION	- **Note:** This applies to **For Action** items only, not to **For Information** memos.
NOTE	

Council Resolved CNCL/2021/00185

That the Council:

1. Approve the Early Works Strategy as recommended by the CMUA Project Delivery Limited Board. This would mean requesting that the Board proceed with the following:
   a. Kōtui going to the market to secure pricing on approximately $96.1m of the Design & Construct (D&C) contract value; and
   b. Varying the PCSA contract with Kōtui to enter Early Works contracts up to the value of $36.8m. Note: approximately $11.6m of the $36.8m will have been expended prior to award of the D&C contract, with a further estimated cost of $10m potentially having to be paid for indented structural steelwork ordered for the arena's West Stand and Bowl.
2. Note that the cost of the Early Works Strategy is funded within the currently approved project budget. The Preliminary Design estimate from BESIX Watpac is due 09 December 2021 at which point the contingency provisions will be reviewed including the preparation of an updated Quantitative Risk Assessment (QRA). The updated QRA will be reported to Council.
3. Note that the report can be released by 31 August 2022, on acceptance of the design and construct contract with BESIX Watpac.

Councillor MacDonald/Councillor Gough **Carried**

Councillor Davidson and Councillor Johanson requested that their votes against the resolutions be recorded.

This action sheet has been automatically produced by an administrator using **Infocouncil**.

Please note: if this item is *for information.* no updating in Infocouncil is required. If the item is *for action* then:

- **Click the** Actions **button on the InfoCouncil Toolbar to update the outstanding actions.**
- **For completed actions: Please update the notes and update the finalisation date.**
- **For ongoing actions: Please update the notes and the expected completion date.**
- Please continue to update the comments until the matter has been finalised.