

21 December 2022

Dr Therese Arseneau
Chair, ChristchurchNZ Holdings Ltd

Dear Therese

Christchurch City Council's shareholder expectations for 2023/24

This Letter of Expectations sets out the Christchurch City Council's expectations of the ChristchurchNZ Holdings Ltd (CNZHL) board for the 2023/24 financial year. The Council requests that the board considers the Council's expectations in this letter and reflects them, as appropriate in its Statement of Intent (SOI) for 2023/24.

Last year, the Council issued an Enduring Statement of Expectations (SOE) to all of its Council-controlled organisations (CCOs). The SOE remains a relevant expression of the Council's broad expectations of all its Council-controlled organisations (CCOs) and should also be taken into account when CNZHL develops its 2023/24 SOI.

While this letter is mostly focussed on expectations for the period 1 July 2023-30 June 2024, we also include some broader matters that are likely to be relevant to CNZHL at various times over the course of the new three-year triennium.

The new Council will review its strategic framework and overall direction. This work will be completed by 31 March 2023 to ensure it influences planning for the work programmes and budgets of the Long Term Plan 2024-34 (LTP). The Council will seek CNZHL's contribution to this work as it progresses. Once completed, the strategic direction should underpin CNZHL's strategic direction and activities and be reflected in the SOI for 2023/24.

The coming triennium will see significant change to what local government does in supporting community wellbeing. The Future for Local Government Review Panel will report to the Minister of Local Government in 2023. This review will provide options for changes to what local government does and how it does it. The Council expects CNZHL to participate in the broad discussions this review is generating and to inform thinking and decision-making as required.

The Government's Three Waters Reform programme will similarly bring about significant change, including to the revenue and operations of the Council. Resource Management reform will also unfold over this triennium and is likely to change how the Council plans and provides for population and business growth. This reform process is likely to include work streams that CNZHL should participate in, providing expert advice and information.

Economic conditions

In view of the impending downturn in the economy, the Council is investigating ways to buffer itself from the impacts by reviewing and cutting costs to the extent possible. The Council expects CNZHL to do the same including, among other things being clear about where its priority expenditure lies.

Mana whenua

Mana whenua are a recognised strategic partner of the Council. CCOs are expected to foster the working and strategic relationships between the Council and the six Papatipu Rūnanga who hold mana whenua status in their respective rohe in Canterbury by maintaining high levels of engagement in areas of mutual interest.

The Council is aware that CNZHL has actively sought to increase its capacity and capability to facilitate meaningful and productive relationships with mana whenua. Among other things these relationships should identify ways to support the growth of Māori business and Māori economic excellence including removing barriers to accessing business support and opportunities. Performance targets to demonstrate progress in achieving these outcomes should be developed.

Priorities

The Council expects CNZHL to consider what is best for Christchurch in all that it does.

As noted, the Council is working on a revised strategic framework that will set out new strategic priorities for the coming triennium. We expect these strategic priorities to guide CNZHL's work programmes once they are confirmed.

While its core economic development function will be the highest priority, CNZHL should remain mindful of potential to add value to social, cultural and environmental outcomes in the city where possible, noting that local authorities are required by legislation to promote the social, economic, environmental and cultural wellbeing of the community, in the present and for the future.

More widely, we need to find ways in which our city can attract global talent, draw on new technology to adapt in the face of climate change and ensure our own economic resilience. Adaptation and resilience will be reliant in part on innovation and new technology, and we should be looking for ways in which Christchurch-based innovators can contribute. We consider this further under our comments on the economic development strategy below.

Urban development

We acknowledge that since 2020 CNZHL has come through a very intensive period in providing leadership for the development of the Council's economic recovery planning following the outbreak of COVID-19 and its own evolution into an expanded economic development agency with new urban development functions.

By 1 July 2023 when this letter takes effect, CNZHL will be fully capitalised and the urban development pipeline of projects will presumably have been established in collaboration with the Council as appropriate. The Council expects CNZHL to focus on properties and partnerships and place-led development that delivers social cultural, economic, environmental and financial outcomes in the Central City and Sydenham, and the completion of the work underway in New Brighton. In addition, and subject to resourcing and negotiated priorities, the Council expects that CNZHL will assist with urban development projects of importance to the Council such as housing development opportunities and the highest and best use of surplus land.

Over the past year, CNZHL has committed to reporting returns on Council investment (land and/or capital) for urban development. This is a measure that enhances the transparency of the Council's interventions, via CNZHL in urban development functions.

We would like to acknowledge our comfort with the relationship that has developed between CNZHL's urban development staff and the Council's staff. We consider this relationship to be a key driver of success in the urban development space and encourage you (and our staff) to continue to build upon what is a very positive start.

Economic Development Strategy

We expect the strategic direction-setting work will consider the role of CNZHL in assisting the Christchurch economy to transition to a low-emissions future and adapt to the impacts of climate change. This work could include identifying scope to support innovation and new technologies being developed in the city, and consideration of how investment could be attracted to them.

From the 2022/23 strategy programme of work (Economic Development Strategy, Destination Management Plans and Place Brand), the Council expects that CNZHL will revise its levels of service and performance targets in time for inclusion in the 2024-2034 LTP. To the extent possible, any that can be incorporated into the 2023/24 Annual Plan and SOI should be.

The Council would like CNZHL to consider how the Christchurch Antarctic Gateway Strategy could further complement and build on the wider Economic Development Strategy for the city.

The Council would also like CNZHL to consider what support could be provided to the local music sector as part of its existing work programmes.

Monitoring and reporting impacts

The Council expects that CNZHL in consultation with Council staff will have significantly progressed, or completed its development of meaningful value for money metrics.

The Council acknowledges the challenge that this presents given the difficulty in measuring some social, environmental and cultural costs and benefits. The narrative of these returns should not go untold. The Council would like to continue the dialogue with CNZHL on reporting returns on Council investment over the coming year.

Working together

The Council expects all its organisations to work together to maximise net benefits to the city from interventions and activity. For CNZHL, working with all Christchurch city stakeholders to ensure events attracted complement each other is important.

Looking ahead, the Council will be considering an allocation of attraction funding for Te Kaha for inclusion in the 2024-34 LTP. It will be imperative that the Council's family of organisations have a joined-up approach towards maximising the economic, environmental, social and cultural net benefits for the city from this long awaited final anchor project. This will require an agreed framework for attributing value and prioritising delivery.

At the time of writing, there are matters about funding event attraction and delivery that are subject to further work and engagement with the Council. This relates to the three partners - CNZHL, Venues Ōtautahi and the Council's events' team. When concluded, clear expectations of the various parties for the future will crystallise.

Governance

Therefore, we note that you have completed two terms on the CNZHL board. The Council's Policy for the Appointment and Remuneration of Directors of Council Organisations, at clause 8.10 provides that appointments will generally be for no more than three terms of three years each.

The Council expects the CNZHL board to have a succession plan for the chairperson role.

The Council expects to see increased diversity on all of its CCO boards. To date the focus of most boards has been on gender diversity. The Institute of Directors (IOD), in its 2021 edition of its Four Pillars publication notes that boards are at their best when they are distinguished by diversity of thought and capability. Diversity goes beyond gender to include ethnicity, Māori whakapapa, LGBTI affinity, age, culture, disability, background and experience (refer page 83). This said, the IOD is very clear that demonstrated competency is above all else when considering board appointments.

The Council requests that CNZHL reports on the diversity of its board annually, potentially when its Annual Report is delivered to the Council.

Sustainability

The Council expects CNZHL to consider climate change throughout everything it does and in all its planning documents - for example, by prioritising the transition to a low-emission economy in all economic development planning. This could include considering how to attract investment and businesses that are innovators and frontrunners in emissions reduction technology and practice.

CNZHL as an employer

The Council expects CNZHL to continue its commitment to:

- strong and transparent governance at all levels including the board and executive;
- the Council's living wage policy for its staff and suppliers;
- best practice human resource and organisational culture management;
- exercise restraint in the level of senior executive total remuneration and ensure that is appropriate linked to performance; and
- show leadership in innovative practices.

Workshops

Aside from those required in the ordinary course of business (draft SOI and performance reports) the Council would like CNZHL to present workshops over the course of the remainder of 2022/23 and 2023/24 on the following:

- the current work programme including urban development and the creative and local music sector in Christchurch;
- managing the balance sheet as a result of capitalisation, socialising the urban development pipeline and updating performance measures; and
- economic development strategy and the strategies and plans underpinning it.

Timetable for 2023/24

| Deliverable | Due to Council staff | Workshop | Council/Committee meeting |
|--------------------------------------------------------------------|----------------------|----------|---------------------------|
| Annual report for year ending 30 June 2023 | By 30 September | N/A | Nov/Dec |
| Letter of Expectations for 2024/25 | N/A | November | December |
| Quarter 1 (July-Sept) performance report | By 30 November | N/A | December |
| Half year (interim) report | By 28 February | N/A | March / April |
| Draft SOIs | By 1 March | March | April |
| Final SOIs | 30 June | - | July / August |
| Quarter 3 (Jan-Mar) performance report and expected annual outturn | By 31 May | N/A | June / July |

By the time this LOE is received, the newly elected councillors will have been on the ground for six or so weeks. We ask you to be mindful that when providing briefings and reports to the Council, the background to issues is well set out, at least in the first year of the Council's three year term.

Long Term Plan 2024-34

As you will recall, a significant lead time is required to prepare the LTP. Council staff will keep CNZHL informed of timing for developing the LTP and, in particular for the delivery of activity management plans and fully developed proposals for new funding, should it be sought.

The Council expects CNZHL's LTP activity management plans will reflect implementation of the Economic Development Strategy, Destination Management Plans and Place Brand, which at the time of writing are currently under development. CNZHL should work with the Council to ensure implementation is reflected in all relevant activity management plans.

No surprises

The Council expects CNZHL to keep it informed of any material or significant events and issues relating to the company which could materially impact the Council's financial position or attract public interest.

Ngā mihi nui



Phil Mauer

Mayor of Christchurch City

c.c. Alison Adams, Chief Executive, CNZHL

