

## 7. REPORT FROM CHRISTCHURCH CITY HOLDINGS LIMITED

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The purpose of this report is to provide information to the Council on recent activities of the Christchurch City Holdings Limited ('CCHL') group, and to make certain recommendations.

### 1. ORION STATEMENT OF CORPORATE INTENT ('SCI')

Orion Board and management representatives recently met with CCHL to present their draft annual Statement of Corporate Intent ('SCI') for 2003/04, and to outline the strategic direction of the company. The SCI has been separately circulated to Councillors.

In general terms, the format and content is consistent with the previous year's SCI. Points of note from the SCI include:

- The outcome of the current Commerce Commission work on electricity network price control and valuation methodologies is of critical importance to Orion. Orion have noted that they may need to re-issue a revised SCI if there are significant adverse outcomes from this review.
- The SCI notes that the company is seeking to realise at least some of its existing technology investments. This "harvest" strategy is expected to take place over the next few years.
- There has been a price freeze in place since April 1999, and no general price increases are forecast for the year ending 31 March 2004. The only exception to this is the already-announced stepped reduction in the rural irrigation pricing discount and Transpower price increases.
- Forecast dividends remain unchanged from the previous year, although budgeted profits are lower (largely as a result of increased non-cash expenses such as deferred tax provisions and goodwill amortisation).
- The SCI notes Orion's ongoing commitment to environmental and human resource issues.

It is noted that, as Orion New Zealand Ltd and its subsidiaries are "energy companies" within the meaning of the Energy Companies Act 1992, they are specifically excluded from the definition of a council-controlled organisation under the new Local Government Act. The Orion SCI is therefore prepared in accordance with Section 39 of the Energy Companies Act rather than the LGA. The differences between the two Acts in terms of the SCI requirements are not significant.

**Recommendation:** That the Council approve the Orion SCI.

### 2. CHRISTCHURCH CITY FACILITIES LTD HALF YEAR REPORT

Christchurch City Facilities Ltd ('CCFL') recently presented its half year report to CCHL. The company is performing ahead of budget and, while it still incurring accounting losses, more or less broke even in cash terms over the six months. Its cash position will further improve in the second half of the year, with the receipt of subvention payments from other group companies and the budgeted subscription for further equity by the Council.

### 3. TRIPLE BOTTOM LINE REPORTING

CCHL's current Statement of Corporate Intent includes a requirement that it report back to the Council on the progress of the subsidiary companies in implementing triple bottom line or sustainable development reporting.

The following table is a brief overview of the extent to which triple bottom line concepts have been incorporated into the companies' publicly-available 2002 SCIs and annual reports:

| <b>Company</b>                     | <b>2002 SCI</b>  | <b>2002 Annual report</b>  |
|------------------------------------|--|--|
| Orion                              | Includes brief commentary on social responsibility, natural environment (including impact of ECan clean air initiatives) and human resources, and contains detailed network reliability targets.   | Very extensive and detailed reporting on, and examples of, community and environmental initiatives and outcomes.   |
| Christchurch International Airport | Objectives include behaving in an environmentally aware manner, and acting as a good corporate citizen and employer. No specific performance measures.   | No formal reporting, but brief reference in the Chief Executive's review on significant investment in measures for containment of potential fuel spillage.                       |
| Lyttelton Port Company             | General objectives include workplace safety, fair treatment for employees, minimising environmental impacts, being a good corporate citizen, enhancing community relations. Specifically acknowledges LPC's role in the wider economic interests of Canterbury. Commitment to reporting on economic, environmental and social performance. | Extensive reporting on, and examples of, community and environmental initiatives and outcomes.   |
| Red Bus                            | Some general environmental, employee and community objectives, plus reference to seeking changes to ECAN system to encourage use of environmentally friendly vehicles. Also some specific environmental, customer, employee and social targets.  | No formal reporting, but commentary in the directors' report on alternative fuel and low-sulphur diesel initiatives, workplace safety and support for community in various ways. |
| City Care                          | Some general environmental, employee and community objectives, and a commitment to adopting a triple bottom line reporting approach. No specific TBL performance targets.  | Extensive and detailed reporting on, and examples of, staff, community and environmental initiatives and outcomes.   |
| Jade Stadium                       | Numerous performance targets, with measures, for staff, customer, supplier, environmental and community objectives.  | Contains reporting on performance against targets and measures in SCI, including staff, customer, supplier, environmental and community objectives.                              |
| Christchurch City Facilities       | Contains a commitment to investigate a form of triple bottom line reporting with a view to setting a target date for implementation.   | None ( <i>the company is currently investigating relevant measures</i> ).  |

It should be noted that this report focuses solely on the reporting by the various companies, and not the various actual initiatives undertaken.

In general terms, progress is considered to be very encouraging. The 2002 annual reports of Orion, Lyttelton Port Company and City Care in particular, are very informative, and demonstrate a real commitment to broadening the base of their traditional financial reporting.

#### 4. ESTABLISHMENT OF SHELF COMPANIES

For administrative convenience, CCHL plans to incorporate three subsidiary non-trading or "shelf" companies prior to 30 June. After this date, the Local Government Act 2002 may require consultation for the establishment of any council-controlled organisation, regardless of its size or purpose (although the exact extent of this requirement is uncertain at this stage).

The shelf companies may or may not be required in the future – there are no current plans or intentions for the use of these companies – but the costs involved are minimal, and the Board considers it worthwhile to take this administrative step.

The sole purpose of this proposal is to seek to minimise the risk of costs and delays that could result from unnecessary and inappropriate public consultation, should such companies be required in the future for administrative or financial efficiency reasons.

There is certainly no intention to circumvent the spirit of the new legislation in terms of involving the community in significant issues. Clearly, consultation would be required if, for example, CCHL contemplated the acquisition of a major interest in a significant company. Rather it is to avoid the potential need for costly and time-consuming public consultation where it would be clearly unnecessary and inappropriate.

The reason why this proposal is being brought to the Council is that the shelf companies will be required to have directors, and CCHL is required to obtain the Council's consent to the appointment of new directors. In this case, it is proposed that the directors of the shelf companies be the same as those of CCHL itself.

**Recommendation:** That the Council approve the appointment of the current CCHL directors to the boards of each of the three proposed shelf companies.