



1. 7. 2004

**REPORT BY THE CHAIR OF THE  
STRATEGY AND FINANCE COMMITTEE**

**PART A - MATTERS REQUIRING A COUNCIL DECISION**

**1. CHRISTCHURCH CITY HOLDINGS LIMITED - CITY CARE LIMITED – ADDITIONAL CAPITAL**

<b>Officer responsible</b> Chief Executive Officer, CCHL	<b>Author</b> Bob Lineham, DDI 941-8411
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Christchurch City Holdings Limited has received a request from its subsidiary City Care Limited for the provision of additional capital of \$2.5m to enable the company to expand its contracting base.

City Care Limited is a profitable company which needs to keep growing in order to remain viable in the long term. It is endeavouring to broaden its contract base by tendering for a wide range of contracts with other local authorities in areas where it has expertise. It is in the interests of the shareholder of City Care Limited that the company is able to broaden its base so that it does not become dependent upon one local authority and any one contract in particular.

In the Statement of Intent for City Care the principal objective of the company is stated to be *“to operate a profitable, sustainable and innovative business so as to maintain a strong market presence in all areas of construction and maintenance of the infrastructure and amenity assets owned by the Christchurch City Council.*

*In defining operations and markets to be involved in the company will ensure:*

- *It will continue to compete in Christchurch markets and aggressively target a significant share of work offered for tender by CCC.*
- *It will maximise the success of its business in terms of sustainable market share, growth into new markets in new market areas (in and beyond Christchurch and Canterbury region) and by focusing on profitability and diversifying its client and activity base.”*

New business opportunities such as major tenders often require new equipment and investment in working capital. The company's balance sheet is such that it needs to increase its equity because its level of debt cannot reasonably be expanded without additional equity.

City Holdings has reviewed the forecast balance sheet of the company and is supportive of additional capital being provided. It will enable an appropriate mix of equity and debt to be maintained, and it is anticipated that the current return on investment will continue.

The Christchurch City Holdings Statement of Intent requires that any new investment in shares by CCHL be approved by Christchurch City Council. The support of the Council is therefore sought for this additional investment by CCHL.

**Staff**

**Recommendation:** That the Council approve an investment by CCHL of \$2.5m in City Care Limited.

**Chair's**

**Recommendation:** That the above recommendation be adopted.

**CONSIDERED THIS 1ST DAY OF JULY 2004**

**MAYOR**