



27. 5. 2004

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

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

**1. REPORT FROM CHRISTCHURCH CITY HOLDINGS LTD - ACQUISITION OF SELWYN  
PLANTATION BOARD LTD SHARES – PRICE ADJUSTMENT**

<b>Officer responsible</b> Chief Executive, Christchurch City Holdings Ltd	<b>Author</b> Richard Simmonds DDI 941-8817
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The purpose of this report is to advise the Council of a technical adjustment that is required to the consideration for which CCHL acquired the Council's shares in Selwyn Plantation Board Ltd ('SPBL') in March 2002.

In March 2002, as part of a rationalisation of the Council's holdings in its trading operations, CCHL acquired the Council's shareholding in SPBL at a purchase price of \$24 million.

The purchase price was based on an independent "fair value" valuation by Deloitte. The Deloitte valuation was based on a separate independent forest valuation that was reflected in SPBL's accounts.

It was noted at the time that the forest industry as a whole was moving towards a different valuation methodology, based on discounted cash flows ('DCF'), and that this revised methodology could result in a downward movement in value. At the time of sale, however, the existing valuation represented the best information available, and Deloitte concluded that it was an appropriate basis for a fair value assessment for a proposed transaction between related parties.

To enable any subsequent adjustment in market value to be taken into account, and to avoid any tax complications arising from a perception that assets were being acquired from the Council at an inflated value, the Sale and Purchase Agreement provided for an adjustment to the purchase price in the event that the market value was subsequently determined to vary significantly from the purchase price.

A subsequent independent forest valuation on a DCF basis did indeed result in a reduced value and, based on independent legal and tax advice, it is now considered appropriate that an adjustment to the purchase price be made.

Deloitte have advised that, on the basis of the revised forest valuation, the revised market value of the Council shareholding in SPBL as at March 2002 was \$20.516 million, a difference of \$3.484 million from the original price.

CCHL, in accordance with the Sale and Purchase Agreement, therefore now requests the Council for a reimbursement of the difference in value of \$3.484 million.

In return, the CCHL Board has indicated that it will immediately pay a special, fully-imputed dividend to the Council of the same amount. There will thus be no cash impact on the Council.

**Staff**

**Recommendation:** That, in accordance with the requirements of the Sale and Purchase Agreement, the Council reimburse CCHL the sum of \$3.484 million, being the difference between the original and revised share valuations, on the understanding that CCHL will immediately pay the Council a fully-imputed dividend of the same amount.

**Chair's**

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

## 2. NGA HAU E WHA CHRISTCHURCH NATIONAL MARAE

Councillor James reports:

During consideration of the 2003/2004 Annual Plan, a submission was received from the Nga Hau E Wha Christchurch National Marae seeking capital funding for a new training complex. The Manager, John Bond gave a presentation to the Annual Plan Subcommittee. The Council adopted the recommendation of the Subcommittee "that the request for funding of a training venue be declined but that officers report on a collaborative approach in partnership with Te Runanga O Ngai Tahu and Te Puni Kokiri towards the development of the Marae".

Since then, meetings initiated by the Council have been held to develop a collaborative approach and including Te Puni Kokiri, Hon Lianne Dalziel as the Member of Parliament for Christchurch East and Te Runanga O Ngai Tahu. Both myself, Peter Walls and Ian Hay have been involved. Te Puni Kokiri commissioned Deloitte Touche Tohmatsu Accountants to complete a further updated report to that commissioned by this Council several years ago.

The report completed by Deloitte's noted that the Marae was forecast to operate at a deficit of \$70,000 for the year to 30 June 2004 and which would follow a deficit of \$150,000 to 30 June 2003. The Marae is currently insolvent. Costs have now been stripped back considerably and staffing is now at minimum levels. There is a significant issue in relation to deferred maintenance and the adequacy of the training facilities which otherwise has potential for growth. Expected returns from tourism were projected to reduce with increasing competition, particularly if the Tamaki Tours venture was to commence operations in Christchurch.

The Marae was established on land provided by the City Council which also provided architectural design and other building services. Having regard to the scale of the buildings, it is understood to be the largest of the Maraes within New Zealand. The carvings and other art work are now of considerable value. Insurance and other costs associated with the Marae buildings have been considerable. It is not a Ngai Tahu Iwi Marae and therefore has not been funded by Ngai Tahu unlike its papatipu Marae in other parts of Canterbury and the South Island.

A working party was established and included myself as a representative appointed by the Christchurch City Council to review and report on a new governance model for the marae and having regard to its status as a maori reserve under the Te Ture Whenua Maori Land Act.

A new charter for the Marae has been prepared and records that the Marae was gazetted as being set apart for the common use and benefit of all people of New Zealand. The stated purposes, vision and mission statements reflect that it is a Marae for all people.

A charitable trust deed has been adopted and this provides for a new trust board to comprise both elected community members and appointed members, including by the Christchurch City Council. A criteria for the appointment of trustees is included in the document. The trust deed incorporates much wider objects including a range of social services, education and training and cultural objectives. The trust deed also contains specific clauses relating to the management of the Marae and the role of governance and management.

Significantly, Te Runanga O Ngai Tahu (TRONT), Ngai Tuahuriri and Nga Maata Waka have been actively involved in the working group and there is now a good level of consensus and commitment to the future progress of the Marae.

An application for continued funding at current level is being made to the metropolitan grants committee.

### **Chair's**

**Recommendation:** That the Chair of the Strategy and Finance Committee be the Council representative on the above working party and that the appointment be reviewed following the October elections.

**CONSIDERED THIS 27TH DAY OF MAY 2004**

**MAYOR**