

**9. CHRISTCHURCH CITY HOLDINGS LIMITED - STATEMENTS OF INTENT FOR SUBSIDIARY COMPANIES**

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<b>Officer responsible:</b>	As above
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**PURPOSE OF REPORT**

1. The purpose of this report is to seek the approval of the Council of draft Statements of Intent received from CCHL subsidiary companies Christchurch International Airport Ltd and City Care Ltd.

**EXECUTIVE SUMMARY**

**Statements of Intent**

1. The Council's subsidiary companies are required by statute to submit an annual Statement of Intent ('Sol') to their shareholders. An Sol must set out the entity's objectives and performance measures, as well as certain other information, and must be approved by the shareholder.
2. CCHL is required by the terms of its own constitution to forward the Sols of the trading companies to the Council for final approval. CCHL has, however, performed an initial review of these documents and, in some cases, requested changes that have been reflected in the attached documents.
3. The draft Sols of the above companies have been separately circulated with the Council agenda.
4. CCHL's own Sol was approved by the Council at a Council meeting in March.

**RECOMMENDATIONS**

1. That the Council approve the draft Sols of Christchurch International Airport Ltd and City Care Ltd.
2. That CCHL be authorised to approve any subsequent minor changes which, in the view of the CCHL Board, would not be of concern to the Council to these Sols arising from the business planning and budgeting processes of the subsidiary companies (any major changes will be brought back to the Council for approval).

## **BACKGROUND ON CHRISTCHURCH CITY HOLDINGS LIMITED - STATEMENTS OF INTENT FOR SUBSIDIARY COMPANIES**

5. The Local Government Act 2002 has imposed a revised reporting and approval process for draft Sols. Schedule 8 of the Act provides:

**“2. Statements of Intent for council-controlled organisations**

*The board of a council-controlled organisation must deliver to its shareholders a draft statement of intent on or before 1 March each year.*

**3. Completion of Statements of Intent**

*The board must:*

- (a) Consider any comments on the draft statement of intent that are made to it within 2 months of 1 March by the shareholders or by any of them; and*
- (b) Deliver the completed statement of intent to the shareholders on or before 30 June each year.”*

6. If any changes are made to the Sols as a result of the business planning processes of the CCTOs, and are considered to be material to the Council as ultimate shareholder, they will be brought back to the Council for further approval. If the changes are minor, it is recommended that CCHL be authorised to approve them.

## **CHRISTCHURCH INTERNATIONAL AIRPORT LTD (‘CIAL’) STATEMENT OF INTENT**

7. The CIAL Sol is broadly similar to the previous year’s version, with the main changes being:

Page 5	A new section regarding CIAL’s role in the regional economy.
Page 6	A new section referring to the evaluation of the possibility of redeveloping the terminal facilities.
Page 9,10	Updated projections (however, these are subject to review once evaluation of the terminal development project has been completed later this year).

8. The terminal redevelopment project will involve significant capital expenditure and possible changes to CIAL’s capital structure. It is likely that a revised Sol will be required at that time, and this will be brought back to the Council.
9. The company recently reported its half year result. Revenues were well up on the previous equivalent period, reflecting continuing growth in international passenger numbers – in particular, Pacific Blue trans-Tasman services, Emirates Air long haul flights and the Christchurch-Los Angeles route that commenced in November. However, profitability has remained relatively flat, being affected by accelerated depreciation on the existing terminal and a number of other cost increases.

## **CITY CARE LTD STATEMENT OF INTENT**

10. The City Care Ltd Sol is also similar to the previous year, with no major changes. The list of services on page 2 has been tidied up and rationalised, and on page 8 there is a new section committing City Care to seeking to develop commercial opportunities with other group companies.
11. The financial forecasts on page 5 reflect the impact of the loss of the transfer station contract, although continuing growth within City Care has meant that revenue and profitability projections are consistent with or higher than those shown last year.
12. The company’s half year result reflected substantial growth in revenue, as a result of various contract wins and business acquisitions. Profitability, however, remained flat, reflecting costs incurred with expansion and the impact of an unusually wet start to the summer which affected its construction and parks contracts.