

20 December 2021

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Dear Dr Arseneau

Enduring Statement of Expectations

As we approach the end of the calendar year, the Council would like to formally extend its appreciation to all the employees, directors and trustees of its Council-controlled organisations (CCOs) for the resilience shown in managing the COVID-19 disruptions and uncertainties over the past 18 months. It has not been easy.

Aside from COVID-19 pressures, the Council recognises the contributions made by all CCO directors, trustees and employees to the fabric of Christchurch's society.

The Council acknowledges the ongoing commitment that CCO directors and trustees are making to contemporary best practice governance, with respect to New Zealand and internationally. In particular, the Council notes the boards' recognition of stakeholder governance, treaty partnership considerations, climate change risk identification and response, living wage policies and practice, and diversity across organisations, all of which are closely aligned with contemporary governance trends.

As CCOs will soon turn their attention to business planning for the 2022/23 financial year, the Council wishes to set out its broad expectations of CCO boards in the years ahead. The content of this Enduring Statement of Expectations (SOE) is a stocktake of core governance expectations of an enduring nature. They will continue to be current until such time that the Council advises otherwise.

The expectations are not directives. Rather they reflect actions and behaviours that are important to the Council in providing transparency to the community. It is a matter for a CCO board to determine whether it is appropriate to act on the expectations, and to include them in the CCO's annual Statement of Intent (SOI).

Council's strategic directions

The Council's 'Community Outcomes and Strategic Framework' which underpinned the Long Term Plan 2021-31 is attached. The linkages between the CCO's and the Council's strategic directions should be reflected throughout the CCO's accountability documentation.

As a matter of priority, CCOs should always consider what is best for Christchurch when planning their activities.

Carbon emissions reduction target

The Council is fully committed to addressing climate change and the impact of the CCO's activities on the environment, the need to build resilience and understand and manage risk. A target for the district has been set of zero greenhouse emissions (excluding methane) by 2045.

The Council is taking a leadership role on this matter and is asking all members of its wider group to target carbon neutrality by 2030. The Council would like CCOs to review their activities and develop planning and reporting frameworks to identify and address climate change impacts.

The Council's Resource Efficiency Manager Kevin Crutchley can provide guidance on this matter. He can be contacted on phone number 941 8209 or at kevin.crutchley@ccc.govt.nz.

Value for money

One of the Council's strategic priorities is to ensure rates are affordable and sustainable. CCOs can contribute to this by focussing on value for money, exercising restraint on discretionary expenditure including remuneration levels for senior executives and effective balance sheet and risk management.

Many CCOs have been very successful in attracting third party funding to leverage Council funding. The Council encourages CCOs to continue to seek these opportunities.

Health and Safety

The Council considers the health and safety of its staff, and those within its wider family of entities to be of utmost importance. Please continue to ensure this remains a top priority. The Council would like to be notified of any health and safety events that are required to be notified to WorkSafe, and should a WorkSafe investigation be undertaken, the outcomes of that.

Accountability mechanisms

Continual attention to building and maintaining the relationship between the Council and its CCO boards assists in creating trust and confidence. The Council values its CCOs being proactive in seeking to engage as and when the boards consider it appropriate, and for those engagements to be open and collaborative.

The Council would like to invite all CCO boards to present annually on the organisation's goals and objectives, linkages to the Council's strategic directions, activities and/or services to be delivered to meet the strategic objectives, opportunities and challenges it faces and how the CCO thinks about value for money in its business planning and activities.

Statutory dates for reporting and accountability documentation are set out in the Local Government Act 2002 (LGA). In the event these dates cannot be met please advise the Council's External Reporting and Governance team as early as possible. With advance notice, the Council can usually accommodate delays.

The Council would gratefully receive early delivery of statutory documents and reporting. Draft documents would be accepted and kept on a secure and confidential basis, and staff advice to the Council on them will be reserved until final documents are submitted.

Statement of Intent

In general, the Council considers the quality of its CCOs' SOIs to be reasonably high. The Council would like CCOs to look to continually review SOIs to ensure they are concise and provide clarity of the CCO's strategic objectives and how they meet the Council's strategic directions as well as the

four well-beings that are central to the LGA – economic, social, cultural and environmental welfare. They should provide meaningful performance targets and measures that cycle back to the CCO’s objectives.

Shareholders of a CCO can, by written notice, extend a deadline relating to the SOI timetable for a period or periods not exceeding in total one calendar month. In the event an extension to any of the deadlines is sought, a request should be made to the Council in writing to ensure the record reflects the approved extension.

Transparency

The Council is very conscious of the community’s appetite for information relating to its decision-making and in particular how that leads to the expenditure of public monies. The release of information to the public is governed by the Local Government Official Information and Meetings Act 1987 which permits in limited circumstances the withholding of certain information until it is no longer prejudicial to the CCO, the Council or any member of the public.

The Council’s policy is to review reports in public sessions of its meetings wherever possible. However, from time to time a CCO may have information that it wishes to share but which will potentially compromise it if it became publicly known. In these cases the Council can hear the matter in a public excluded session of a Council or Committee meeting. The reasons for doing so are required to be published on the public agenda of the meeting.

LGA requirements for the publication of accountability documentation on an internet site maintained by or on behalf of the local authority shareholder are noted as follows:

- section 64(9)- SOIs within one month of formal adoption by the CCO board;
- section 64B – SOE (no time constraint stipulated);
- section 66(5)- quarterly⁷ and half year reports within one month of receipt by the local authority; and
- section 67(4) - annual reports within one month of receipt by the local authority.

All reports that are lodged on the public agenda of Council or Committee meetings are available to the public on the Council’s website. However, the Council encourages CCOs to also publish these documents on their websites. The LGA requires most statutory accountability documents and performance reports to be maintained on a website for a period of no less than seven years. The Council considers publication of the SOE alongside the SOI on CCOs’ websites would be appropriate.

Living wage

The Council expects all CCOs to implement the living wage for staff and to ensure that it is adjusted annually in line with the Living Wage Movement Aotearoa New Zealand advice. The Council has recently resolved to require all regular and ongoing suppliers to be living wage employers, and for this to apply to all procurements processes and contract renewals from 1 October 2021.

The Council is now an accredited Living Wage employer, something it would like its CCOs to consider. On that basis the Council requests that CCOs provide advice to its External Reporting

⁷ The Council will advise a CCO if quarterly reporting is required.

and Governance team on the potential impacts of implementing the living wage into its supplier agreement.

Governance

The Council encourages CCO boards to exercise best practice governance that reflects contemporary best practice in New Zealand and internationally. This includes holding senior executives to account for performance, developing board succession plans, ensuring appropriate skills and competencies are represented by board members as a whole, and that boards are diverse in their membership, stakeholder governance, treaty partnership considerations, climate change risk and response planning and others.

In accordance with section 59 of the LGA, the Council expects its CCOs to:

- achieve the objectives of the Council, both commercial and non-commercial as specified in the SOI;
- be a good employer;
- exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- if the CCO is a CCTO, conduct its affairs in accordance with sound business practice.

The Council expects its CCO boards to be represented at all formal Council and committee meetings in which its CCO's reports are being considered and attendance has been sought. Not all reports require attendance. Staff from the Council's External Reporting and Governance team will advise you if attendance is sought.

The Council expects its CCOs to comply with all statutory and regulatory obligations including the LGA, Companies Act 1993, Health and Safety at Work Act 2015, Resource Management Act 1991, and the Public Records Act 2005.

CCOs that own and manage high value physical assets should have 10 year asset management plans in place to underpin capital budgets.

The Council expects its CCOs to always consider what is best for Christchurch. One example of this would be actively procuring services or purchasing supplies locally, where this is commercially viable.

Appointments to boards

Section 57(2) of the LGA provides that a local authority may appoint a person to be a director of a CCO only if the person has, in the opinion of the local authority, the skills, knowledge, or experience to guide the organisation, given the nature and scope of its activities and contribute to the achievement of the objectives of the organisation. Section 57(3) provides that the local authority must consider whether knowledge of tikanga Māori may be relevant to the governance of the CCO.

The Council requires that all proposed appointments to boards meet the requirements of its Policy for the Appointment and Remuneration of Directors which can be found at

<https://www.ccc.govt.nz/the-council/plans-strategies-policies-and-bylaws/policies/council-organisational-policies/appointment-and-remuneration-policy/Fees>. This policy sets out the

requirements for appointments, including terms of appointment and re-appointments, skills, knowledge and experience required of CCO directors.

Diversity in board membership is important to the Council. It can be created through a number of characteristics including gender, age, ethnicity, cultural, disability, economic background, education, geographic background, religious beliefs, gender identity, sexual orientation.

The Council would like proposals for appointments (or re-appointments) of CCO directors/trustees to include analysis of the board's current diversity, whether the proposed appointment adds to that, and if not, what the board's plan is for creating diversity as current directors/trustees retire.

While making no apology for favouring board diversity, the Council acknowledges the primary consideration continues to be the core competencies recorded in section 7.12 of the Policy for the Appointment and Remuneration of Directors.

Succession planning is also an important requirement for all CCO boards. The Council is aware of the significant work that voluntary members of CCO trust boards commit to. This is in an environment where volunteering in general is waning. Early attention to both succession planning and activating candidate searches is strongly encouraged.

The Council expects that CCOs provide incoming directors with an induction programme as part of their on-boarding. Council staff are willing to contribute to such a programme if required. If this is useful to you, please contact the Council's External Reporting and Governance team.

Reporting

The annual reporting calendar is shown in the following table:

Item	Due Date
Draft SOI	By 1 March
Shareholder comments (if any)	By 1 May
Final SOI	By 30 June
SOI to be published to website	By 31 July
Half year report, ending 31 December	By 28 February
Annual Report for year ending 30 June	By 30 September
Quarterly performance reports (if applicable)	Q1 by 30 November Q2 by 28 February Q3 by 31 May Q4 by 30 September

Engagement and consultation

There is a wealth of talent, competency, experience, skills and knowledge held throughout the wider Council group. The Council encourages CCOs to work closely with other members of the Council family of entities to ensure strong strategic alignment across the family and to where possible leverage outcomes for the benefit of Christchurch's residents.

Trading CCOs are subject to the Companies Act 1993 and are therefore bound under section 129 of that Act to seek shareholder approval for major transactions, as defined in the Act. However, the

Council expects all CCOs to formally engage with it on any transactions that are material to the organisation. Materiality could be measured in a number of ways including impacts on the CCO's balance sheet (and therefore the Council's consolidated balance sheet), the Council's reputation, third party rights, potential for adverse media attention or any other matter the CCO considers the Council should be informed of.

Any transaction involving the purchase or disposal of land must be notified to the Council in advance of any legal agreement or undertaking being finalised.

A CCO should seek Council approval if it is proposing to conduct activities that fall outside the nature and scope of its business as recorded in its SOI. This is a legal requirement, and consultation with the Council needs to be done in advance of the activities being undertaken.

The Council would like CCOs to demonstrate the significant regard and respect that the Council itself holds for the Christchurch community. This could be reflected in well thought through stakeholder management plans that seek to ensure key interested or potentially affected parties are well informed of both the benefits that the CCO is delivering, and any potential incursions into the rights, or perceived rights held by those individuals or groups.

At times CCOs may provide written submissions on issues such as to central government on proposed legislative changes or policy reviews. The Council would appreciate being informed of the nature of a proposed submission or a draft of the submission itself. In addition, the Council would like to be in a position to consider joining its own submission on any particular issue with those of its CCOs.

Mana whenua

Te Tiriti o Waitangi forms the fundamental basis of Council engagement with Iwi and mana whenua within the Ngāi Tahu takiwā. Engagement is further complemented by the LGA, the Te Rūnanga o Ngāi Tahu Act 1996, and the Ngāi Tahu Claims Settlement Act 1998. Additional legislative reform to the Resource Management Act, Taumata Arowai, Local Government Act as well as the likely effects of climate change provide a complex environment ahead and where the Crown expects local authorities to partner and better engage with Māori to address the combined social, economic, cultural, and environmental challenges.

Mana whenua are a recognised strategic partner of the Council. We are shaping new ways of working together through co-governance and partnership opportunities – a strong and positive relationship between the Council and Māori is fundamental to our combined growth in the future.

The Council expects its CCOs to apply the principles of Te Tiriti o Waitangi across everyday practices of the organisation whether this be in its internal operations, or externally through positive engagement with mana whenua. What this looks like in action is a matter for each CCO however the Council expects that CCOs will adhere to legislative requirements where applicable, and in particular in relation to establishing environmental parameters of operations that take account of the intrinsic connections that mana whenua maintain to place, land, water (the environment).

This may extend to incorporating or assimilating mātāuranga Māori into the business, and/or across business solutions at the discretion of strategic and operational intent of the business. Regardless, in acting on this guidance, Council expects CCOs to establish and maintain high levels of engagement with mana whenua in areas of mutual interest.

The Council's Treaty Relationship Team seeks 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. The team provides policy and strategic advice within the Council and supports engaging with Rūnanga. The Council encourages CCOs to seek advice from the Principal Advisor Treaty Relationships, to further enable understanding of Council intent and how this might apply within the CCO context.

No surprises policy

All CCOs should have a 'No Surprises' policy that provides for the board to notify the Council as soon as possible of any issues and risks that might impact on the Council in any material way. These could be financial risks, asset value (ownership) risks, operational performance risks, organisational risks and/or reputational risks.

Some situations that might trigger notification include:

- actual or potential for a material reduction in net profit or surplus against forecast;
- proposed CEO appointment or change;
- potential / actual conflicts of interest by directors or trustees;
- fraudulent acts by directors, trustees or employees;
- potential / actual litigation by or against CCO directors and/or employees;
- significant CCO or group restructuring and large scale redundancies;
- industrial disputes;
- significant acquisitions and divestments;
- significant health and safety issues;
- engagement with central government or other third parties where views of the CCO may have significant weight in a decision-making process;
- release of significant or contentious information under the Local Government Official Information and Meetings Act 1987; and
- media coverage of any activities that could attract critical comment or those that could lead to shareholders being asked to comment on the CCO's activities or viewpoints.

If you would like to discuss the content of this Enduring SOE please contact the Council's External Reporting and Governance team in the first instance.

We look forward to receiving draft SOIs by 1 March 2022.

Ngā mihi nui



Lianne Dalziel

Mayor of Christchurch

Community Outcomes and Strategic Framework

The Strategic Framework provides a big picture view of what the Council is trying to achieve for Ōtautahi - Christchurch. It provides the foundation for the Long Term Plan, guiding the shape of our work programmes and allocation of funding. The Local Government Act requires all councils to identify the rationale for their work, in the form of community outcomes. These outcomes capture what we aim to achieve in promoting the wellbeing of everyone in our city. Our outcomes take a whole-of-community view – we can't achieve them by ourselves. Success will require empowering communities, working in partnership with mana whenua and collaborating with the Government and other agencies.

Ōtautahi-Christchurch is a city of opportunity for all

Open to new ideas, new people and new ways of doing things – a city where anything is possible

Community Outcomes			
Resilient communities Strong sense of community Active participation in civic life Safe and healthy communities Celebration of our identity through arts, culture, heritage, sport and recreation Valuing the voices of all cultures and ages (including children)	Liveable city Vibrant and thriving city centre Sustainable suburban and rural centres A well connected and accessible city promoting active and public transport Sufficient supply of, and access to, a range of housing 21st century garden city we are proud to live in	Healthy environment Healthy water bodies High quality drinking water Unique landscapes and indigenous biodiversity are valued and stewardship exercised Sustainable use of resources and minimising waste	Prosperous economy Great place for people, business and investment An inclusive, equitable economy with broad-based prosperity for all A productive, adaptive and resilient economic base Modern and robust city infrastructure and community facilities

The Mayor and Councillors have also identified strategic priorities that reflect key issues for Ōtautahi - Christchurch. These priorities flag areas where they want to see a change in approach or increase in focus this Council term and beyond. The strategic priorities are:

- Enabling active and connected communities to own their future
- Meeting the challenge of climate change through every means available
- Ensuring a high quality drinking water supply that is safe and sustainable
- Accelerating the momentum the city needs
- Ensuring rates are affordable and sustainable