

Reference: 20150505



19 February 2016



Thank you for your Official Information Act request, received on 2 December 2015. You requested the following:

*“A copy of all documents pertaining to ‘Stage 1 Business Case’ completed July 2015 and referred to on page 14 (Christchurch Central Delivery Programme) of Treasury’s Major Projects Performance Report – March to June 2015 document.”*

On 16 December 2015 we transferred to CERA responsibility for a decision on the document ‘Stage 1 Business Case’, as this document was prepared by CERA. The Treasury has retained responsibility for making a decision on the remainder of the request – that is, documents relating to the Stage 1 Business Case that we have created.

On 12 January 2016 we extended the time limit for deciding on your request by an additional 20 working days.

### **Information Being Released**

Please find enclosed the following documents:

<b>Item</b>	<b>Date</b>	<b>Document Description</b>	<b>Decision</b>
1	20 July 2015	Aide Memoire: Metro Sports Facility Cabinet Paper	Release in part
2	27 July 2015	Aide Memoire: Metro Sports Facility - Revised EGI Paper	Release in part

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions
- commercially sensitive information, under section 9(2)(i) – to enable ... [the Crown] to carry out commercial activities without disadvantage or prejudice, and
- ongoing commercial negotiations, under section 9(2)(j) – to enable the Crown to negotiate without disadvantage or prejudice.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This fully covers the information you requested that the Treasury is responsible for. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Jason Webber  
Manager, Investment Management and Asset Performance

# Information Being Released

## OIA 20150505

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Reference: T2015/1631

TY-2-1-6-5

Date: 20 July 2015

To: Minister of Finance  
(Hon Bill English)

Deadline: None

## Aide Memoire: Metro Sports Facility Cabinet Paper

### Overview

We understand that the Minister for Canterbury Earthquake Recovery is planning to take a paper to EGI shortly seeking decisions on the scope and scale of the Christchurch Metro Sports Facility (the Facility), and on the next stages of procurement using a Design, Build, Maintain (DBM) model. A further reportback to Cabinet on procurement will be provided by the Minister for Canterbury Earthquake Recovery in February 2016, prior to the release of the Registration of Interest to the market.

Three options for the Facility are compared. The names of these options may have changed since the Business Case and earlier communications with you. We understand the options to be:

- Option C: total project cost <sup>9(2)(i), 9(2)(j)</sup> which can be delivered within the affordability constraint of the Cost Sharing Agreement (formerly named On-Budget Facility),
- Recommended Facility: total project cost <sup>9(2)(i), 9(2)(j)</sup> that adds diving capability and High Performance Sport (HPS) to Option B (formerly named My Preferred Facility),
- Option B: total project cost <sup>9(2)(i), 9(2)(j)</sup> with additional aquatic and sport components (formerly named Recommended Facility).

### Option C – Treasury's Preferred Option

Treasury supports Option C (the On-Budget Facility) as the best option to meet recovery needs in Christchurch, deliver on the Crown's commitments, and minimise the fiscal risk associated with the project. A number of the benefits attributed to Option B and the Recommended Facility option are projections, and

*Withheld under s9(2)(g)(i)*

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**Recommended Facility Option**

We understand that the Minister for Canterbury Earthquake Recovery favours the "Recommended Facility" (Option B plus Diving and HPS) and has discussed the broader scope and scale with the Mayor of Christchurch. The additional benefits of adding diving and High Performance Sport to the Facility (Recommended option) are not supported by Business Case analysis as they both add significant construction and operating costs, have very low participation numbers compared to other sports and recreation activities that can be provided for, alternative facilities are available and are being used locally and nationally, *Withheld under s9(2)(g)(i)*

**Option B**

Treasury recommends that you do not support Option B *9(2)(i)* though we favour it ahead of the Minister's Recommended Facility option. Although Option B provides more benefits than Option C (on budget), the costs still significantly outweigh the benefits. This option has lower Council operating costs, but these are not, in themselves, sufficient to justify additional capital outlay by the Crown. If lower Council operating costs are a key objective, then more work needs to be done on achieving this at a reduced cost to the Crown.

**Funding Impact of the Minister's Recommended Option**

The paper is seeking *Withheld under s9(2)(i) and s9(2)(j)*

to signal the Government's commitment to the project ahead of the next stage of market engagement.

The case for prioritising additional funding for this project ahead of others in Christchurch has not been made.

*Withheld under s9(2)(f)(iv)*

Given forecast capital pressures on the Fund across the Christchurch Central Development Programme at Budget 2015 totalled *Withheld under s9(2)(i)*

and across all sectors is currently forecast at around *9(2)(i)* we consider that additional Crown funding for this Facility should not be a priority ahead of other projects in Christchurch that may generate more economic and social benefits, such as the Convention Centre or Accessible City Phase II, and for which final decisions on scope, scale and cost are yet to be made.

You may wish to **seek a report back from the Minister for Canterbury Earthquake Recovery on future pressures**, prioritisation of projects and associated fiscal risk in Christchurch prior to further decisions being taken on Crown contributions to the Central City Development Programme.

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### Impact on Establishment of “Regenerate Christchurch”

There are pros and cons of making decisions regarding the scope and scale of the Metro Sports Facility ahead of decisions on Regenerate Christchurch and on any refresh of the Recovery Strategy and Cost Sharing Agreement. Treasury’s judgement is that decisions on the scope and scale of the MSF should be made now to signal Government’s commitment to the rebuild and allow the next steps of the project to proceed.

### Risk

We consider that all options for this Facility pose a significant fiscal risk for the Crown, with this risk increasing with the complexity of the project. We are not yet comfortable that the financial implications are fully understood, and do not have a high level of assurance that there is sufficient mitigation of financial risk. Risks include:

- **Council funding** for the Facility is fixed in the Cost Sharing Agreement (and associated clarifications) at <sup>9(2)(f)</sup> [redacted] in nominal dollars.

*Withheld under s9(2)(j)*

[redacted]

and the portion of funding designated as “to be confirmed” in the Cost Sharing Agreement,

- *Withheld under s9(2)(i) and s9(2)(j)*

[redacted]

- Risks and cost issues arising from the **procurement process**.

**Hilary Blake**, Senior Analyst, Fiscal and State Sector Management, 04 917 6168

**Elizabeth Scurr**, Team Leader, Fiscal and State Sector Management, 04 917 6190

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Reference: T2015/1697

TY-2-1-6-5



THE TREASURY

Kaitohutohu Kaupapa Rawa

Date: 27 July 2015

To: Minister of Finance  
(Hon Bill English)

Deadline: Read prior to EGI 29 July 2015

### Aide Memoire: Metro Sports Facility – Revised EGI Paper

The Minister for Canterbury Earthquake Recovery has revised the paper on Metro Sports Facility since we provided you an aide Memoire. This revised version will be considered by EGI on Wednesday. The major changes to the paper are:

- The removal of the Facility option endorsed by the Business Case. It was the Recommended Facility without the addition of High Performance Sport and diving (total project cost <sup>9(2)(i)</sup> [redacted] with additional aquatic and sport components).
- The proposed procurement process has changed from a Design, Build, Maintain (DBM) model to a Traditional procurement model with Early Contractor Involvement (Traditional ECI).

#### Support for Option Endorsed by the Business Case

Treasury's preference remains the On-Budget Facility option (total project cost <sup>9(2)(i)</sup> [redacted]). However, should Cabinet want greater scope and scale, we support the option endorsed by the Business Case (total project cost <sup>9(2)(i)</sup> [redacted] with additional aquatic and sport components) ahead of the Recommended Facility option which adds high performance sports and diving componetry (total project cost <sup>9(2)(i)</sup> [redacted]).

<sup>9(2)(i)</sup> [redacted] *Withheld under s9(2)(g)(i)*

As the costs of High Performance Sport and diving significantly outweigh the local and national benefits of their inclusion in the Facility, and increase both construction and operating costs, we have attached an alternative recommendation to enable Ministers to select the option endorsed by the Business Case.

#### Traditional Procurement Model with Early Contractor Involvement (Traditional ECI)

We understand that the paper is seeking a "Traditional" ECI procurement method <sup>9(2)(i)</sup> [redacted].

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Withheld under s9(2)(i)

We note that ECI has a range of definitions in the market, including between Australia and New Zealand and additional time may be required to ensure market understanding of the specific process

Withheld under s9(2)(g)(i)

**Impact on CDHB Rebuild**

If the commencement of the Metro Sports Facility development is scheduled before 2018, it is likely to coincide with the peak-build period of the CDHB Acute Services Block. This rebuild is forecast to be completed by December 2017, with related supporting developments such as the Outpatients building to be completed in advance. The hospital rebuild has been prioritised and the Metro Sports site is an integral part of the hospital rebuild spatial management. Any conflict needs to be actively managed. **We recommend that Recommendation 16 include a formal requirement to take into account any impacts on the Hospital redevelopment programme, and that any decision to expedite the Metro Sports Facility development include consultation with the Minister of Health.**

**ECI-based Procurement Models**

Withheld under s9(2)(i)

Under a Traditional ECI model the contractor is appointed on capability rather than price, which is determined after the contractor is selected.

Withheld under s9(2)(i)

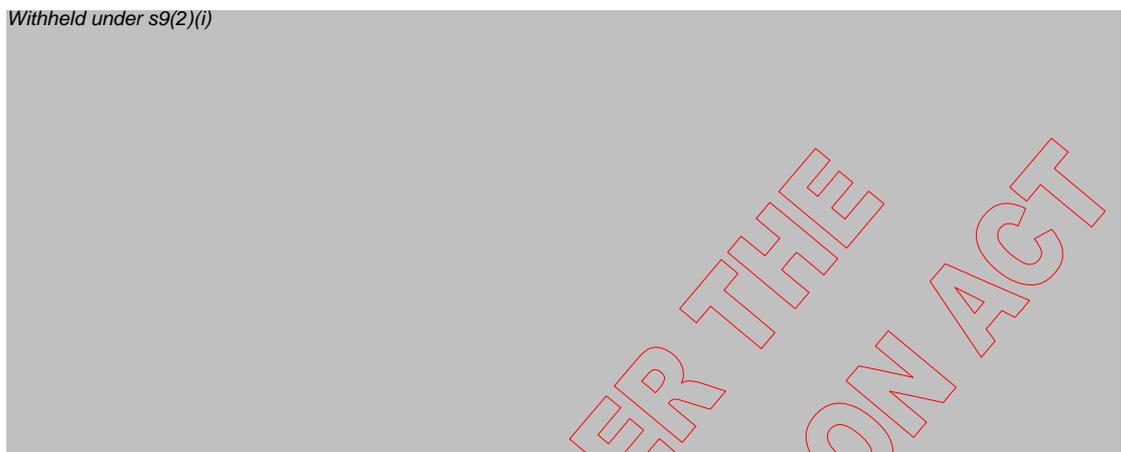
Withheld under s9(2)(j)

9(2)(j) Withheld under s9(2)(i)

Withheld under s9(2)(i)

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Withheld under s9(2)(i)



**Hilary Blake**, Senior Analyst, Fiscal and State Sector Management, 04 917 6168  
**Elizabeth Scurr**, Team Leader, Fiscal and State Sector Management, 04 917 6190

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**DEVELOPMENT OPTION FOR THE METRO SPORTS FACILITY: ALTERNATE RECOMMENDATIONS**

Replace Recommendation 6:

6. **agree** that, in relation to the proposal for the Metro Sports Facility, which meets the Christchurch Central Recovery Plan objectives:

**EITHER**

- 6.1 **agree** to the development of the Recommended Facility at a project cost of s9(2)(i) including land, with a total Crown contribution of s9(2)(i) and
- 6.2 **approve** the establishment of a new Metro Sports Facility *Withheld under s9(2)(j)* to provide for the additional Crown contribution for the Recommended Facility costs and be a pre-commitment against the Future Investment Fund for Budget 16;

**OR (Treasury supported option)**

- 6.3 **agree** to the development of Option B at a project cost of s9(2)(i) including land with a total Crown contribution of s9(2)(i) and
- 6.4 **approve** the establishment of a new Metro Sports Facility *Withheld under s9(2)(j)* to provide for the Crown contribution for Option B costs and be a pre-commitment against the Future Investment Fund for Budget 16;

**OR**

- 6.5 **agree** to the development of the option endorsed by the Metro Sports Facility Single Stage Business Case at a project cost of s9(2)(i) including land, with a total Crown contribution of s9(2)(i) and
- 6.2 **approve** the establishment of a new Metro Sports Facility *Withheld under s9(2)(j)* to provide for the additional Crown contribution for the option endorsed by the Metro Sports Facility Single Stage Business Case costs and be a pre-commitment against the Future Investment Fund for Budget 16;

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Replace Recommendations 8 and 9

8. *Withheld under s9(2)(j)*
9. **direct** the Minister for Canterbury Earthquake Recovery to report to Cabinet in November 2015 and provide market engagement feedback and seek Cabinet approval of end ownership options;

Recommendation 16 to include

- 16 .....that any decision to expedite the Metro Sports Facility development include consultation with the Minister of Health on any impacts on the Christchurch District Health Board redevelopment programme.

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