

HUTT CITY COUNCILFINANCE AND AUDIT COMMITTEE

Report of a meeting held in the Wainuiomata Chambers, Wainuiomata Library,
Queen Street, Wainuiomata on

Wednesday 25 November 2015 commencing at 5.30pm

PRESENT:

Cr C Barry	Deputy Mayor D Bassett
Cr L Bridson	Cr M Cousins
Cr M Lulich (from 5.44pm)	Cr C Milne
Cr M Shierlaw (Chair)	Mayor WR Wallace (from 6.15pm)

APOLOGIES: Apologies for lateness from Mayor Wallace and Cr Lulich

IN ATTENDANCE:

Mr T Stallinger, Chief Executive
Mrs J Raffills, General Manager, Governance and Regulatory
Mr M Reid, General Manager, Community Services (part meeting)
Mr P Blacker, Chief Financial Officer
Mr P Healey, General Manager, Community Facilities Trust (part meeting)
Mr B Monaghan, Divisional Manager, City Promotions (part meeting)
Ms J Beck, Divisional Manager Human Resources (part meeting)
Ms K Stannard, Divisional Manager Secretariat Services (part meeting)
Mrs E Davids, Risk and Assurance Manager (part meeting)
Mr S Keatley, Community Facilities Manager (part meeting)
Mr L Earl, Traffic Assets Manager (part meeting)
Mrs A Doornebosch, Committee Advisor

PUBLIC BUSINESS1. **APOLOGIES****RESOLVED:****Minute No. FandA 15501**

"That the apologies for lateness received from Mayor WR Wallace and Cr Lulich be accepted."

2. **PUBLIC COMMENT**

Comments are recorded under the item to which they relate.

3. CONFLICT OF INTEREST DECLARATIONS

The General Manager Governance and Regulatory highlighted that Council representatives on Council Controlled Organisations (CCOs) could participate in discussions regarding CCO Annual Reports provided there was no conflict of interest. She advised that the items referred to in the Agenda did not constitute any conflicts of interest for CCO Council representatives present at the meeting.

Deputy Mayor Bassett and Cr Milne declared a conflict of interest in relation to item 4d, Remuneration Review for Council Controlled Organisations, and took no part in discussions or voting on this matter.

Cr Cousins declared a conflict of interest in relation to item 4 d Remuneration Review for Council Controlled Organisations for Hutt City Community Facilities Trust and took no part in discussion or voting on this matter.

PRECEDENCE OF BUSINESS

RESOLVED:

Minute No. FandA 15502

"That in terms of Standing Order 25.5, precedence be accorded to item 5 dealing with the Local Government Funding Agency Annual Report 2014/2015"

This item is recorded in the order in which it is listed on the order paper.

4. RECOMMENDATIONS TO COUNCIL - 15 December 2015

- a) Report on the Hutt City Community Facilities Trust for the Year Ended 30 June 2015 (15/1426)

Mr Alister Skene, Chair of Hutt City Community Facilities Trust (CFT) highlighted the milestones for the CFT over the past year, including the continuing development of Fraser Park Sportsville, and the completion of the Walter Nash Stadium. He advised the Naenae Regional Bowls Centre had now received building consent.

Mr Peter Healy, General Manager of CFT noted fundraising of over \$1M had been secured and the major fundraising focus for the year ahead would be the Fraser Park development.

RECOMMENDED:

Minute No. FandA 15503

"That the Committee recommends that Council receives the Annual Report for the Hutt City Community Facilities Trust for the year ended 30 June 2015, attached as Appendix 1 to the report."

- b) Report on Seaview Marina Limited for the Year Ended 30 June 2015
(15/1427)

Mr Brian Walshe, Chairman of Seaview Marina Limited (SML), noted that the major focus for SML in 2015 had been health and safety. He also highlighted the development of the F and G Piers, with an additional 48 berths.

Mr Alan McLellan, Chief Executive of SML noted the highlights for the year included the Boat Yard generating a significant increase of income as a result of usage by Chatham Island vessels. He advised SML had secured the New Zealand Police Dive Squad and a Boat Builder as key tenants for the Sea Centre, and noted a waiting list existed for the trailer park facilities. He highlighted SML held a Clean Green Marina Status, being one of six in New Zealand. He advised SML continued to support the Lowry Bay Yacht Club, Have a Go Sailing and Sailability. He said SML was in discussion with Lions who were planning to host a Wellington International Boat Show in 18 months time.

Mayor Wallace joined the meeting at 6.15pm.

In response to questions from members, Mr McLellan advised that 'Have a Go at Sailing' taught school children how to sail and was offered by New Zealand Yachting, Auckland. He said that New Zealand Yachting provided the boats, any school could apply and that costs would apply.

RECOMMENDED:

Minute No. FandA 15504

"That the Committee recommends that Council receives the Annual Report for Seaview Marina Limited (SML) for the year ended 30 June 2015 attached as Appendix 1 to the report."

c) Report on UrbanPlus Limited for the Year Ended 30 June 2015 (15/1428)

Mr Brian Walshe, Chairman of UrbanPlus Limited (UPL), noted that the UPL Annual Report had not been signed off by the auditors due to tax treatment requirements for subsidiary companies. He highlighted that the Chief Executive would be leaving at the end of January 2016.

Mr Gary Nichols, Chief Executive of UPL, noted UPL provided contract management facilities to Council, and managed the rental of units to elderly residents on low incomes within Hutt City. He advised UPL currently had 71 residential units available and occupancy for the year had not been less than 97%. He highlighted the Shaftesbury Grove development in Stokes Valley as a key priority for UPL.

In response to a question from a member, Mr Nichols advised UPL did not cater for emergency housing and queries regarding emergency housing were referred to Housing New Zealand or Work and Income New Zealand.

In response to a question from a member, Mr Walshe advised that officer and director indemnity insurance cover levels had not yet been reviewed in preparation for the new health and safety legislation.

Mr Andrew Clark, Audit Manager from Audit New Zealand, advised the audit of UPL had been delayed as the subsidiary companies needed to be consolidated. He noted auditors expected to issue an opinion within a week, and would provide comment within the Annual Report which would likely include recommendations to provide disclosures.

RECOMMENDED:

Minute No. FandA 15505

“That the Committee recommends that Council:

- (i) notes the draft Annual Report for UrbanPlus Limited and authorise the Chair of the Finance and Audit Committee and the Chief Financial Officer to approve any changes that may be needed following the completion of the audit; and*
- (ii) recommends that Council receives the final Annual Report (including any auditor recommended changes) for UrbanPlus Limited for the year ended 30 June 2015.”*

d) Remuneration Review for Council Controlled Organisation
Directors/Trustees (15/1625)

The General Manager, Governance and Regulatory elaborated on the report and introduced Ms Ellen Hodgetts, Board Services Advisor from the Institute of Directors (IOD).

In response to questions from members, Mr Brian Walshe, Chairman of SML and UPL, considered the current level of directors remuneration was too low. He believed an appropriate level of remuneration would be between \$20,000 and \$24,000.

Ms Hodgetts advised that the IOD undertook an annual survey of directors fees which formed the basis for the recommended fee levels set by the IOD. She noted fees were rising and demands on directors time had been increasing significantly. She highlighted there were now more requirements of directors to manage risk including health and safety issues.

In response to questions from members, Ms Hodgetts advised the IOD's approach to benchmarking was to consider the broad market where organisations would be sitting comparatively. She noted that the UPL directors fee of \$15,000 was below the average of other comparatives. She highlighted the wide range of fees in the marketplace, and noted that the IOD usually recommended a premium standard by a multiplier of 1.8 to 2. She advised a commercial organisation operating at the same size as UPL would remunerate its directors at \$35,000. IOD had therefore set its fee range for UPL at \$20,000-\$25,000, as a local government entity.

In response to questions from members, the Chair advised he recommended the remuneration for the directors of UPL at \$24,000 and the Chair at \$37,000 based on the report from the IOD, advice from the Chair of the UPL Board and a multiplier of 1.5. He highlighted that he did not recommend this same calculation for the CFT Trustees as he considered their workload to be less.

In response to questions from members, the Chief Executive advised any review of the UPL Board would be a decision of Council, and he considered ultimately the increased costs would be borne by Council.

Mayor Wallace expressed concern at the proposed increases and considered them to be substantial. He highlighted that the work provided by Board representatives was highly valued, but also considered a lot of their work was viewed as an opportunity to give back to the community.

Deputy Mayor Bassett, Cr Cousins and Cr Milne declared conflicts of interest and took no part in discussions or voting on the above matter. Deputy Mayor Bassett and Cr Cousins left the meeting room for the full duration of the item.

RECOMMENDED:	Minute No. FandA 15506
<i>"That the Committee recommends that Council:</i>	
<p>(i) <i>agrees to Option C for the remuneration of the Directors and Chair of Seaview Marina Limited, for an increase by the 8 year movement in inflation of 17.74% (compounded). The Chair would be remunerated \$22,077 per annum and Directors \$14,718 per annum;</i></p>	
<p>(ii) <i>agrees to Option C for the remuneration of the Directors and Chair of UrbanPlus Limited, for an increase by the 8 year movement in inflation of 17.74% (compounded). The Chair would be remunerated \$26,491 per annum and Directors \$17,661 per annum; and</i></p>	
<p>(iii) <i>agrees that the Chair of the Community Facilities Trust be remunerated \$22,500 per annum and the Trustees nil."</i></p>	

5. **NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY ANNUAL REPORT FOR 2014/2015** (15/1429)

Report No. FandA2015/5/281 by the Chief Financial Officer

Mr Mark Butcher, Chief Executive Officer of the Local Government Funding Agency (LGFA) noted that at the Annual General Meeting held on 24 November 2015 it elected the Directors and Shareholders Council Nominating Councils. He advised LGFA's primary objectives were to optimise funding terms and conditions for participating local authorities. He highlighted two key initiatives over the past year, being the listing of LGFA Bonds on the New Zealand Exchange and the launch of short term lending availability.

Cr Lulich joined the meeting at 5.44pm.

In response to questions from members, Mr Butcher advised that LGFA bonds were measured against Auckland and Dunedin City Councils' bonds. He noted that if bespoke borrowing was required over a separate term, this was calculated as an average between 2023 and 2027, and a bond was then issued for maturity in 2025.

RESOLVED:

Minute No. FandA 15507

"That the Committee notes the Local Government Funding Agency Annual Report attached as Appendix 1 to the report."

6. **RISK AND ASSURANCE UPDATE AND STRATEGIC RISK REGISTER** (15/1422)

Report No. FandA2015/5/282 by the Risk and Assurance Manager

The Risk and Assurance Manager elaborated on the report.

RESOLVED:

Minute No. FandA 15508

"That the Committee:

- (i) notes the information in this report; and*
- (ii) notes the Strategic Risk Profile as at 27 October 2015, as approved by the Strategic Leadership Team."*

7. **ACTIVITY REVIEW - ORGANISATION** (15/1330)

Report No. FandA2015/5/299 by the Divisional Manager, Secretariat Services

The General Manager, Governance and Regulatory elaborated on the report.

In response to a question from a member, the General Manager Governance and Regulatory noted that district licensing work would be added to the key work undertaken by Legal Services.

Cr Milne noted the Long Term Plan budget presentations were difficult to read and understand and asked officers to provide a better format for presentation.

In response to a question from a member, the Divisional Manager Secretariat Services advised that Community Board and Community Committee delegations would be reviewed in the new triennium.

In response to questions from members, the Divisional Manager Human Resources advised the Workplace Survey had a 80% participation rate, and the next survey had been delayed to 2016 to align with the business planning cycle. She advised they had not received any objections to the new online fingerprint time management system introduced for rostered staff with variable hours.

In response to questions from members, the General Manager, Governance and Regulatory advised the Strategic Leadership Team had proposed obtaining the services of an external consultant to assess current health and safety processes, given the new health and safety legislation soon to be introduced. She noted that individual members were excluded from the definition of a Person Conducting a Business or Undertaking within the new Health and Safety Act.

RESOLVED:

Minute No. FandA 15509

"That the Committee notes the activity reviews for Financial Services, Human Resources, Legal Services and Elected Members."

8. **CONTRACTUAL FRAMEWORK FOR THE SUPPLY OF STREET LIGHTING
ELECTRICITY TO HUTT CITY COUNCIL** (15/1495)

Memorandum dated 15 October 2015 by the Traffic Assets Manager

The Traffic Assets Manager elaborated on the report. He highlighted that members had asked for further information on the supply of street lighting within Hutt City. He noted Wellington Electricity (WE) was the electrical distributor for the Wellington region. He advised WE was proposing an increase in levels of service in its new contract, and a Street Lighting briefing would be held on 30 November 2015. He noted WE was to re-tender for its maintenance for the network, and was to move to fixed charges from 1 April 2016.

In response to questions from members, the Traffic Assets Manager advised the supply of street lighting was regulated by the Commerce Act and regulated by the Commerce Commission.

Members agreed the street lighting issues were putting residents safety at risk, and considered WE should be asked for an ongoing commitment going forward. They requested officers provide WE a one page document, identifying specific ongoing issues with street lighting within Hutt City, for discussion at the briefing to be held on 30 November 2015.

The Chair requested the General Manager, Governance and Regulatory enquire whether Councils had recourse to the Electricity Authority regarding these levels of service, and if Local Government New Zealand had completed any work on this issue.

RESOLVED:

Minute No. FandA 15510

"That the Committee:

- (i) notes the information included in this memorandum; and*
- (ii) requests officers provide Wellington Electricity with a one page background document detailing specific street lighting issues that have occurred within Hutt City in recent months, prior to the briefing on 30 November 2015."*

9. **FINANCE UPDATE - OCTOBER 2015** (15/1697)

Report No. FandA2015/5/301 by the Chief Financial Officer

Speaking under public comment, **Mr David Ogden** questioned who would meet the costs of running the new hotel, and what debt increases would be imposed on ratepayers given these developments and the new flood work that Greater Wellington Regional Council would be completing.

Deputy Mayor Bassett advised the intent of these developments were to revitalise the city. He highlighted that Council's finances were in very good heart as reflected in the recent report from Standard and Poors.

The Chief Financial Officer elaborated on the report.

In response to questions from members, the Chief Financial Officer noted the annual leave statistics had increased slightly but not significantly. He agreed to advise members if the emergency water supply had been put on hold by Council.

RESOLVED:

Minute No. FandA 15511

"That the Committee notes the financial performance results."

10. **INFORMATION ITEM**

a) **2016 Finance and Audit Committee Work Programme** (15/1434)

Report No. FandA2015/5/214 by the Committee Advisor

RESOLVED:

Minute No. FandA 15512

"That the report be noted."

11. **QUESTIONS**

There were no questions.

12. **EXCLUSION OF THE PUBLIC**

RESOLVED:

Minute No. FandA 15513

"That the public be excluded from the following parts of the proceedings of this meeting, namely:

13. *Appointment of Directors - Seaview Marina Limited and Urban Plus Limited*
(15/1303)

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

(A)	(B)	(C)
<i>General subject of the matter to be considered.</i>	<i>Reason for passing this resolution in relation to each matter.</i>	<i>Ground under section 48(1) for the passing of this resolution.</i>
<i>Appointment of Directors - Seaview Marina Limited and Urban Plus Limited.</i>	<i>The withholding of the information is necessary to protect the privacy of natural persons. (s7(2)(a)).</i>	<i>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.</i>

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified in Column (B) above."

There being no further business the Chair declared the meeting closed at 8.23pm. The non-public portion of the meeting finished at 8.41 pm.

Cr M Shierlaw
CHAIR

**CONFIRMED as a true and correct record
Dated this 15th day of December 2015**