

HUTT CITY COUNCIL**FINANCE AND AUDIT COMMITTEE**

Report of a meeting held in the Wainuiomata Chambers,
Wainuiomata Library, Queen Street, Wainuiomata on
Wednesday 24 February 2016 commencing at 5.30pm

PRESENT:

Cr C Barry	Deputy Mayor D Bassett
Cr L Bridson	Cr M Cousins
Cr M Lulich	Cr C Milne
Cr M Shierlaw (Chair)	Mayor WR Wallace
Cr M Willard	

APOLOGIES: There were no apologies.

IN ATTENDANCE:

Mr T Stallinger, Chief Executive
Mr B Sherlock, General Manager, City Infrastructure (part meeting)
Mr P Benseman, Acting Chief Financial Officer
Mr D Newth, Financial Accounting Manager (part meeting)
Ms J Stevens, Corporate Planner (part meeting)
Mr M Sherwood, Divisional Manager, Leisure Active (part meeting)
Mr S Keatley, Community Facilities Manager (part meeting)
Mr B Monaghan, Divisional Manager, City Promotions (part meeting)
Mr P Healy, General Manager Hutt City Community Facilities Trust (part meeting)
Mrs A Doornebosch, Committee Advisor

PUBLIC BUSINESS**1. APOLOGIES**

There were no apologies.

2. PUBLIC COMMENT

There was no public comment.

3. CONFLICT OF INTEREST DECLARATIONS

Cr Milne declared a conflict on interest in relation to item 6, Six Monthly Report from Seaview Marina Limited and took no part in discussion or voting on this matter.

Deputy Mayor Bassett declared a conflict of interest in relation to item 7, Six Monthly Report from UrbanPlus Limited and took no part in discussion or voting on this matter.

Cr Cousins declared a conflict of interest in relation to item 8, Six Monthly Report from Community Facilities Trust and took no part in discussion or voting on this matter.

PRECEDENCE OF BUSINESS

RESOLVED:

Minute No. FandA 16101

"That in terms of Standing Order 25.5, precedence be accorded to item 5 dealing with the Audit New Zealand Management Report."

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

4. RECOMMENDATION TO COUNCIL - 15 March 2016

i) Activity Reviews (16/54)

The Corporate Planner elaborated on the report. She highlighted section 17A had been added to the Local Government Act 2002 (LGA) which required reporting of service delivery reviews by local authorities. She noted officers reported to the Strategic Leadership Team in 2015 with options to address these new provisions, and the recommendation at that time was to review the Terms of Reference (TOR) for Council's existing Activity Reviews. She advised this report was requesting members agree to the amendments made to the TOR to ensure Council met the new requirements.

In response to questions from members, the Corporate Planner advised a full section 17A analysis of Council activities would require the analysis of the governance, funding and service delivery options outlined in the LGA. She advised this would be a sizeable task which could still be achieved through the established Activity Reviews process. She noted the remaining activities scheduled for reporting during 2016 would use the amended TOR, if agreed by Council.

In response to questions from members, the Chief Executive noted the two reviews reported earlier this year had been useful, but considered the process did not identify where resources could be adjusted. He noted that the Local Government Commission were also reviewing service delivery options separately.

Members considered there was an opportunity to improve the Activity Reviews process, to allow them to consider the reallocation of resources and whether more or less being spent on certain activities could be achieved. Members agreed the implications of changes to budget allocations or the level of service provision should include a requirement for a 5% reduction or increase rather than 10%. Members considered these amendments would promote debate, provide more substance to the process, and allow Council to consider the social outcomes of any decisions.

RECOMMENDED:

Minute No. FandA 16102

"That the Committee recommends that Council agrees to include additional objectives to the Draft Terms of Reference for the review of Council Activities, as follows:

- (a) that reference be made to user charges adjustments that could be made;*
- (b) that reference be made to service level adjustments that could be made;*
- (c) the highest value outputs that officers think Council could do more;*
- (d) the lowest value outputs that officers think Council could do less of;*
- (e) opportunities for other revenue to be made; and*
- (f) change 10% to 5%."*

RECOMMENDED:**Minute No. FandA 16103**

"That the Committee recommends that Council:

- (a) notes the activity reviews scheduled during 2016, as listed in section 11 of the report;*
- (b) notes that a revised report template is being trialled for the three activity reviews scheduled during February 2016 to address new requirements under section 17A of the Local Government Act 2002, the text of which is attached as Appendix 1 to the report;*
- (c) adopts the revised Terms of Reference for activity reviews attached as Appendix 2 to the report, which will meet the intent of section 17A of the Local Government Act 2002;*
- (d) notes that nine activity reviews have already been completed in the current triennium, as outlined in section 15 of the report; and*
- (e) agrees that it is not reasonable, practical or cost effective to now undertake a full section 17A analysis of options for governance, funding and delivery of the activities listed in section 15 of the report for the reasons outlined in sections 17 to 20 of the report, and instead agree to address these as part of the scheduled activity reviews in the 2016 – 2019 triennium."*

5. **AUDIT NEW ZEALAND MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2015** (15/1423)

Report No. FandA2016/1/21 by the Chief Financial Officer

Mr Andy Burns, Director from Audit New Zealand elaborated on the report. He highlighted the audit had been completed and Audit New Zealand had issued an unmodified audit opinion on 2 November 2015.

In response to questions from members, Mr Burns noted he could not comment on improvements in processes that had been put in place by officers as a result of the recommendations in their report, until the following year's audit was complete. He advised Audit New Zealand was aware of the Capital Projects Delivery Review cost over-runs, but not the underlying reasons. He commended the progress being made by officers on the fixed asset accounting procedures.

The Chief Executive highlighted Council had implemented the recommendations from the KPMG Project Delivery Review, and undertook to request officers to follow up with KPMG to assess the changes that had been made.

In response to a question from a member, Mr Andrew Clark, Audit Manager from Audit New Zealand noted there had been some difficulties with the reconciliation of ledgers from the pools and The Dowse. He advised this was as a result of the introduction of a new software system, and that officers were working with the software provider to remedy this.

In response to a question from a member, the Chief Executive considered that a confidentiality focus contributed to the reduction in documenting processes during the establishment of the subsidiary organisations within UrbanPlus Limited. He considered the sharing of relevant knowledge during such processes would prevent such issues occurring in the future.

RESOLVED:

Minute No. FandA 16104

"That the Committee note this report."

6. **SIX MONTHLY REPORT FROM SEAVIEW MARINA LIMITED** (15/1761)

Report No. FandA2016/1/22 by the Senior Management Accountant

Cr Milne declared a conflict of interest and took no part in discussions or voting on the matter.

Mr Brian Walshe, Chairman of Seaview Marina Limited (SML) elaborated on the report. He noted SML was tracking on target and highlighted the significant progress on health and safety systems.

Mr Alan McLellan, Chief Executive of SML noted the highlights over the last six months including the continued development of the commercial piers. He advised fortnightly meetings were being held between the User Group and the Chairman of the Board and the relationship was developing successfully. He noted the fuel wharf development was on hold until financial commitments were confirmed.

In response to questions from members, Mr McLellan advised there were a number of options being considered in relation to the Vision, which were not yet refined. He acknowledged the priorities of providing storage space for boats and parking, and that the Vision would develop around these needs.

In response to questions from members, Mr Walshe advised the Vision was a plan for the long term. He noted there could be opportunities within the Vision to provide berths for houseboats, drystack facilities, further trailer parks and leases to potential long term tenants and the development of apartments. He advised the commercial pier development was proposed to be funded with additional borrowing facilities.

RESOLVED:

Minute No. FandA 16105

"That the Committee receives the half year report from Seaview Marina Limited attached as Appendix 1 to the report."

7. **SIX MONTHLY REPORT FROM URBANPLUS LIMITED** (15/1762)

Report No. FandA2016/1/23 by the Senior Management Accountant

Deputy Mayor Bassett declared a conflict of interest and took no part in discussions or voting on the matter.

Mr Brian Walshe, Chairman of UrbanPlus Limited (UPL) introduced Mr Craig Walton the new Chief Executive of UPL.

In response to a question from a member, Mr Walton noted UPL provided good support to tenants while also receiving a reasonable return. He considered there were opportunities for developing the property management portfolio and the fee structure to ensure good value for money. He noted UPL had a sizable development team, maintaining levels of debt to equity that were prudent.

Mr Walshe noted UPL had completed the development of four new units in High Street, Lower Hutt with four more units under construction. He advised UPL had purchased a property in Naenae which consisted of four units, with potential to develop a further four units. He said the current focus for UPL was to map out a pathway for the future.

In response to a question from a member, Mr Walshe advised he would enquire about the Petone Public Library Structure review and advise members.

RESOLVED:

Minute No. FandA 16106

"That the Committee receives the half year report from UrbanPlus Limited attached as Appendix 1 to the report."

8. SIX MONTHLY REPORT FROM HUTT CITY COMMUNITY FACILITIES TRUST
(15/1763)

Report No. FandA2016/1/24 by the Senior Management Accountant

Cr Cousins declared a conflict of interest and took no part in discussions or voting on the matter.

Mr Alister Skene, Chairman of the Hutt City Community Facilities Trust (CFT) highlighted the first stage of Fraser Park was completed in April 2015, and part two would develop a multi purpose sports hub which had progressed to the design stage. He noted the brief from the users had exceeded funding the CFT believed could be fundraised, and that costs had now been reduced with no decline in functionality. He said the response from the public to the Walter Nash Centre had been outstanding with high demand for future bookings of facilities. He highlighted work had begun on the Walter Mildenhall development, with expected delivery over September/November 2016.

Mr Peter Healy, General Manager of the CFT advised that the development of the outdoor greens at Walter Mildenhall Park would be dependent on the grass strike. He noted if this was delayed, play may need to continue on the existing Naenae Bowling Club site, and that CFT would be able to confirm this in July 2016. He noted that a business case was being developed and a contractor had been employed to work within the community over the construction phase of Walter Mildenhall Park. He highlighted that a public opening would be arranged once the development was complete.

In response to questions from members, Mr Healy advised a lease had been drafted with Fraser Park Sportville, who was paying rent for the facilities at Fraser Park. He noted once Fraser Park was fully developed the CFT would own the facility, and would set rental based on the cost to maintain the building over 20 years. He said the CFT was not expecting to fund building depreciation costs such as roof replacement from this rental, and a 20 year maintenance plan would be provided once a final design had been agreed upon. He highlighted that fundraising for all CFT projects was paid in instalments to the CFT, over the project build periods.

In response to questions from members, Mr Skene highlighted the CFT was providing ongoing support to the Naenae Bowling Club as the lead sporting entity to manage facilities at the new Walter Mildenhall development. He advised the reduced costs for stage two of the Fraser Park development were dependent on quantity surveyor/tender costs, and this would be confirmed in March/April 2016. He noted the CFT considered the renewal of the turf at Fraser Park at its end of life should be included within the lease of the Fraser Park facilities.

RESOLVED:

Minute No. FandA 16107

"That the Committee receives the half year report from the Community Facilities Trust attached as Appendix 1 to the report."

9. **ACTIVITY 3 REVIEW - AQUATICS AND RECREATION** (16/100)

Report No. FandA2016/1/26 by the Divisional Manager, Leisure Active

The Divisional Manager, Leisure Active elaborated on the report. He advised this review followed the amended Terms of Reference (TOR) for Activity Reviews, and the intent of Section 17A of the Local Government Act 2002 (LGA). He noted the report focused on efficiencies and effectiveness, including key performance indicators and comparisons for swimming pools, fitness suites, community halls and the Walter Nash Centre. He highlighted that these facilities compared well against others in New Zealand in relation to increasing patronage and reducing costs. He noted future risks included requirements within new health and safety legislation, hazardous substances and the protection of public health.

In response to questions from members, the Divisional Manager Leisure Active advised that budget increases in 2015 were due to the establishment of the Walter Nash Centre, and the increased number of employees at this facility. He said officers could consider extending outdoor pool opening dates if climate changes extended the summer season, noting this had been done in the past with low success. He highlighted the current strategy of encouraging patronage of swimming pools, that there was always a point at which increasing entry charges to pools would become too high, and that Hutt City pools entry fees were at the lower median of pools in Wellington. He said low fees were charged for schools visiting pools due to the high volume attending, to encourage schools to attend and allow them to use the saved funding to pay for items such as transport. He noted such visits from schools were conducted over low peak user times.

RESOLVED:

Minute No. FandA 16108

"That the Committee:

- (i) notes the information contained in this report;*
- (ii) notes that this review also meets the intent of section 17A of the Local Government Act 2002; and*
- (iii) agrees that a full section 17A review should not be undertaken at present for the reasons outlined in the report."*

10. **HUTT CITY LIBRARIES - CLUBHOUSE COORDINATORS TRAVEL TO THE CLUBHOUSE NETWORK ANNUAL CONFERENCE (APRIL 2016)** (16/114)

Report No. FandA2016/1/27 by the Content and Service Development Manager

RESOLVED:

Minute No. FandA 16109

"That the Committee:

- (i) *notes that attendance at the Intel Computer Clubhouse Network's annual conference is mandatory as per the terms of the Clubhouse licences; and*
- (ii) *authorises the overseas travel to Pittsburg, Pennsylvania in April 2016 for the Co-ordinators from Naenae and Taita Computer Clubhouses at a cost of approximately \$6,800."*

11. **FINANCE UPDATE - JANUARY 2016** (15/1739)

Report No. FandA2016/1/31 by the Chief Financial Officer

The Acting Chief Financial Officer elaborated on the report. He advised there was forecast to be a favourable position at year end, and that this was mainly due to a number of projects that would not be completed in the current financial year. These would need to be carried over and completed next year.

In response to questions from members, the Acting Chief Financial Officer advised that no variance in debt forecast was included in the officers reports for the Community Plan Committee held on 16 February 2016, as an assumption was made that this would be on target. He advised that the debt forecast would be updated and reported in the final Annual Plan to the Community Plan Committee in June 2016, along with a final list of all the proposed carryover projects. He highlighted Managers of respective divisions within Council were responsible for encouraging staff to reduce annual leave accruals.

In response to questions from members, the General Manager City Infrastructure advised he would follow up with officers regarding the reason why the Community Facilities Trust Projects – Wider Integration with Parks, was listed as overspent.

RESOLVED:

Minute No. FandA 16110

"That the Committee notes the financial performance results."

12. INFORMATION ITEM**a) 2016 Finance and Audit Committee Work Programme (15/1740)**

Report No. FandA2016/1/39 by the Committee Advisor

RESOLVED:

Minute No. FandA 16111

"That the report be noted."

13. QUESTIONS

There were no questions.

There being no further business the Chair declared the meeting closed at 8.00 pm.

Cr M Shierlaw
CHAIR

**CONFIRMED as a true and correct record
Dated this 15th day of March 2016**