

HUTT CITY COUNCILFINANCE AND PERFORMANCE COMMITTEE

Minutes of a meeting held in the Council Chambers,
2nd Floor, 30 Laings Road, Lower Hutt on
Wednesday 3 May 2017 commencing at 5.30pm

PRESENT:

Cr C Milne (Chair)	Cr C Barry (until 8.50pm)
Cr G Barratt	Deputy Mayor D Bassett
Cr J Briggs (until 8.44pm)	Cr MJ Cousins
Cr S Edwards	Cr M Lulich
Cr L Sutton	

APOLOGIES: An apology was received from Mayor Wallace.

IN ATTENDANCE:

Cr L Bridson, (part meeting)
Mr T Stallinger, Chief Executive (part meeting)
Mr M Reid, General Manager, Community Services
Mr B Kibblewhite, Chief Financial Officer
Mr B Monaghan, Divisional Manager, City Promotions
Mr D Moriarty, Portfolio Manager Urban Plus Limited (part meeting)
Mr M Mercer, Divisional Manager, Community Hubs (part meeting)
Ms M Laban, Community Projects and Relationship Manager
Mr P Healy, General Manager, Community Facilities Trust (part meeting)
Mrs A Doornebosch, Committee Advisor (part meeting)

PUBLIC BUSINESS1. APOLOGIES

RESOLVED: (Cr Milne/Cr Barratt)

Minute No. FPC 17201

"That the apology received from Mayor Wallace be accepted and leave of absence be granted."

2. PUBLIC COMMENT

Comments are recorded under the item to which they relate.

3. CONFLICT OF INTEREST DECLARATIONS

Deputy Mayor Bassett declared a conflict of interest in relation to item 4 a), Urban Plus Limited - Amendment to Constitution and took no part in discussions or voting on the matter.

Cr Milne declared a conflict of interest in relation to item 4 a), Urban Plus Limited - Amendment to Constitution in regard to the Seaview Marina Limited matter and took no part in discussion or voting on the matter.

Cr Cousins declared a conflict of interest in relation to item 4 b), Appointment of Trustees to Hutt City Community Facilities Trust (CFT), and item 9, Response to Hutt City CFT Funding Proposal and took no part in discussion or voting on these matters. She declared in relation to item 4 c), Response to Fraser Park Business Case, that she was a Trustee of the CFT but considered she did not have a direct conflict of interest on the matter.

4. RECOMMENDATIONS TO COUNCIL - 23 May 2017

a) Urban Plus Limited - Amendment to Constitution (17/667)

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

The Portfolio Manager, Urban Plus Limited (UPL) elaborated on the report.

The Chair noted the current UPL Constitution did not cover the requirement to set up subsidiary companies on a project by project basis to isolate risk.

RECOMMENDED: (Cr Milne/Cr Sutton)	Minute No. FPC 17202
<i>"That the Committee recommends that Council:</i>	
<i>(i) approves the amendment to the UrbanPlus Limited (UPL) Constitution attached as Appendix 3 to the report, regarding the ability for UPL Directors to provide indemnity to Directors and employees of its current and future subsidiary companies;</i>	
<i>(ii) notes that a Deed of Indemnity will also have to be entered into as part of this proposal; and</i>	
<i>(iii) notes that the purpose is to provide indemnification to previous (retired), current and future Directors and employees of UPL subsidiary companies."</i>	

The Chair declared a conflict of interest in relation to the Seaview Marina Limited (SML) Constitution matter. Cr Milne vacated the Chair and Cr Barry assumed the Chair for the duration of the matter.

In response to a question from a member, the Chief Executive advised Council held insurance that provided indemnity for key staff.

RECOMMENDED: (Cr Barry/Cr Sutton)	Minute No. FPC 17203
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"That the Committee recommends that Council approves, subject to approval by the Seaview Marina Limited (SML) Board and Council's General Manager, Governance and Regulatory, similar changes be made to the SML Constitution to allow indemnification of previous (retired), current and future Directors and employees of SML and SML subsidiary companies."

b) **Appointment of Trustees to Hutt City Community Facilities Trust
(17/549)**

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

The General Manager Community Services elaborated on the report. He acknowledged and thanked Mr Skene and Mr Leslie for their contributions to the Hutt City Community Facilities Trust, and their continued support since.

RECOMMENDED: (Cr Milne/Cr Lulich)	Minute No. FPC 17204
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"That the Committee recommends that Council:

- (i) approves the appointment of a selection panel consisting of Council's General Manager Community Services, outgoing Hutt City Community Facilities Trust (CFT) Chair (subject to his agreement) and a Councillor to identify, assess and approach potential candidates for the position of up to three independent Trustees on the Hutt City Community Facilities Trust (CFT), in accordance with the Council's policy for the Appointment of Directors;*
- (ii) approves this process for future appointments to the Board of the CFT; and*
- (iii) delegates to the selection panel the power to negotiate and decide an amount to be paid as an honorarium for the new Chair up to the existing remuneration level."*

c) Response to Fraser Park Business Case (17/603)

Speaking under public comment **Mr Jim O'Grady, Chief Executive Officer of Squash New Zealand** noted the Fraser Park Sportsville (FPS) project was significant in terms of its national facilities strategy. He considered Wellington had missed out on hosting sporting events due to the lack of facilities. He said FPS was a critical part of filling that gap and providing facilities capable of hosting premier, national and international events. He said a six court facility with a removable glass court would be ideal at the FPS facility. He noted Squash New Zealand's endorsement and support for the FPS Project. He said they would facilitate discussion between the regional and national body to consider what level of contribution could be made to FPS.

Speaking under public comment, **Mr Greg McKeown, Chair of the Squash New Zealand** said the FPS facility would enable aspiring leadership opportunities for squash players in Wellington. He highlighted the economic and community benefits of hosting such high profile events. He noted Squash New Zealand accepted Council's vision for the amalgamation of sports' clubs to provide enhanced multisport facilities. He said Squash New Zealand would advise what future financial support it could provide to FPS.

Speaking under public comment **Mr Gary Gosper representing the Taita Cricket Club** noted the club had been a founding member of Sportsville. He said the FPS complex would enhance coaching programmes for local children and children in low decile schools within Hutt City. He considered that working with other clubs would enhance relationships and provide an opportunity to work towards a common goal.

Speaking under public comment, **Mr Rory Crawford representing Lower Hutt City Football Club** considered FPS would provide another dimension to the club. He said at present they did not have clubrooms so FPS would provide an opportunity to engage with other teams and sporting codes. He considered it would increase its membership and encourage more participation. He said being members of FPS would allow more inter sport contact for children in the Hutt Valley.

Speaking under public comment, **Mr Glen Roff representing the Governing Body for Softball New Zealand** said he endorsed the further development of FPS. He said Softball New Zealand would continue to support the Hutt Valley Softball Association, and noted they were a key association for their code. He said the Hutt Valley was an ideal geographical location for softball events and was used frequently. He considered their facilities at FPS would be seen as the heart of national and domestic softball, and would increase exposure and the profile of the sport. He said FPS would provide a legacy for future generations, as well as supporting the health and wellbeing of the local community.

The Chair acknowledged Mr Corey Love's attendance at the meeting. He highlighted Mr Love was a silver medallist in squash from the Masters Games held recently in Auckland.

Mr Mark Heissenbuttel, Ms Trudy Englebretsen , Mr Bill Heaps and Mr Mark Sorenson representing Fraser Park Sportsville provided a presentation.

Mr Heissenbuttel noted they now had 295,000 annual visitors to Fraser Park, and over 7,000 affiliated members. He highlighted that Fraser Park was a valued part of the community. He advised the request for the operating grant would enable FPS to run events, provide programmes and integrate these into schools in the Hutt Valley. He noted FPS would not make any surpluses until year four of operation, and any shortfall would be funded by FPS. He highlighted participating clubs would still have to undertake fundraising to ensure their viability within the new entity. He acknowledged the participating clubs' commitments to handing over their facilities to FPS, as well as their revenues and club identities. He noted FPS was confident that the commercial agreement, business model and leases in place would protect Council against risk.

In response to questions from members concerning board continuity, Mr Heissenbuttel noted he had been Chair of the FPS Board for seven years and was committed to seeing the project through to completion. He said the build was expected to take 10 months with a two month fitout. He noted the FPS Board was committed to the Business Case, and thanked founding member clubs for supporting them. He noted they had produced profit and loss statements for each of the clubs for now and into the future.

Mr Sorensen thanked Council for its commitment and vision to sport investment. He noted the collaboration amongst sporting clubs that had resulted from the Sportsville model. He said Fraser Park would provide an opportunity to deliver a legacy for future generations, and a facility to host international events.

Mr Heaps noted he was a member of the FPS Board. He advised that the Business Case had been developed on best practice models, focussing on benefit outcomes. He highlighted these benefits were supported by Professor Dalziel, who was a Professor of Economics at Lincoln University. He noted Professor Dalziel had completed surveys and economic value studies for Sport New Zealand. He further noted these studies had identified \$25M plus in benefit outcomes to the community over the first 10 years of FPS operating.

In response to questions from members, Mr Heaps said Sport New Zealand had identified from surveys that new generations wanted access to multiple sporting codes. He said the operating grant was required to see FPS through the three year review period and also to provide programmes and events to the community over this time. He noted when FPS produced the Business Case it had to make an assessment on what may be required after the third year. Assumed in that, was that Council would want to continue to support FPS. He said that if the level of activities were raised then there would be scope for additional income and after three years of operating, and trends in costs would be more clear.

In response to questions from members, Ms Trudy Englebretsen noted the operational grant would assist in providing staff to attract events and programmes to the FPS facility. She highlighted the clubs would manage their sporting codes and FPS would provide the infrastructure to support those activities. She said sports hubs such as FPS provided a diverse club base, and staff would have the ability to partner with other clubs and extend coaching where needed. She advised the first priority would be to make clubs more capable and ensure delivery of support into schools within the community. She said if Council was able to offset some operational costs such as insurance and rates, FPS would likely be comfortable with a reduction in Council's contribution.

The Chief Financial Officer noted he was a member and the Treasurer of the Fraser Park Squash Club, a member and former Treasurer of the Avalon Rugby Club and a member of the Taita Cricket Club.

The General Manager, Community Services elaborated on the report. He advised FPS would be larger and more extensive than other Sportsville facilities in Hutt City. He noted there were some operating challenges within the Business Case, but considered these could be managed over the long term. He noted the property costs of \$330K annually included \$80K for rates, and the current combined rates bill for the eight founding clubs was \$13K. He said the difference in cost was the result of Council's current rating system, which was based on capital value. He advised the CFT had included \$80K as a building maintenance fund into the future.

In response to a question from a member, the General Manager Community Services advised Council had agreed that any day to day maintenance costs of CFT assets would be the tenant's responsibility. He said medium to long term asset replacements had been calculated into rental charges, for inclusion in the CFT Deferred Maintenance Fund. He said end of life replacement costs past 70 years were not covered.

The Chief Financial Officer advised that as there was not a competitive market for the sale and purchase of sports buildings and facilities, that Council's valuation service provider used Optimised Depreciated Replacement Cost as the basis for estimating the rateable value of sports buildings and facilities, and that this approach had an adverse impact on the rates levied on new sports buildings and facilities. He highlighted that the FPS founding members current clubs facilities were likely to be fully depreciated, and the FPS facility would be new, which was the reason for the rates variance. He noted some Councils did not charge rates to sports clubs. He advised Council currently received approximately \$272K per annum in general rates from the three Community Facility (CF) rating categories of which sports clubs were a part of. He noted the Deferred Maintenance Fund was a fund the CFT would hold in trust, to be used only for defined long term maintenance costs.

The Chair considered that based on feedback Council should guarantee revenue for FPS for four years and conduct a review of this support during the fourth year.

On behalf of Mayor Wallace, Deputy Mayor Bassett acknowledged and congratulated the CFT and the sports clubs involved in the FPS development.

RECOMMENDED: (Cr Milne/Cr Barratt)

Minute No. FPC 17205

"That the Committee recommends that Council:

- (i) recommends to the Community Plan Committee, subject to Council approval, and subject to any cost reduction that Council is able to provide to the business case (eg Insurance), an operating grant to Fraser Park Sportsoille (FPS) of:

 - a) \$150,000 for the first full year of operation;*
 - b) \$125,000 for the second year;*
 - c) \$100,000 for the third year; and*
 - d) \$75,000 for the fourth year;**
- (ii) agrees for this operating grant to be reviewed after three years of FPS operating; and*
- (iii) agrees that a condition of annual funding will be that FPS formally reports to Council six monthly and in particular progress against its Business Case."*

RECOMMENDED: (Cr Barry/Cr Briggs)

Minute No. FPC 17206

"That the Committee recommends that Council asks officers to provide a report on the rating policy for sporting, recreational, cultural and community facilities."

The meeting adjourned at 7.33pm, and reconvened at 7.40pm.

5. **FINANCE UPDATE** (17/602)

Report No. FPC2017/2/104 by the Chief Financial Officer

The Chief Financial Officer elaborated on the report.

In response to questions from members, the Chief Financial Officer advised there had been delays on the cycleways due to the business case process.

Members asked officers to provide a note within the Finance Update, to explain comparisons of the carryover figures for the current financial year, the last financial year and last three financial years.

RESOLVED: (Cr Milne/Deputy Mayor Bassett) **Minute No. FPC 17207**

"That the Committee notes the year to date financial performance and the forecast year-end position."

6. **INFORMATION ITEM**

Finance and Performance Work Programme 2017 (17/625)

Report No. FPC2017/2/69 by the Committee Advisor

Members noted the Information Technology Activity Report had been deferred to a later date to allow the newly appointed Chief Information Officer time to prepare the documentation.

RESOLVED: (Cr Milne/Cr Sutton) **Minute No. FPC 17208**

"That the report be noted and received."

7. **QUESTIONS**

There were no questions.

8. EXCLUSION OF THE PUBLIC

RESOLVED: (Cr Milne/Deputy Mayor Bassett) **Minute No. FPC 17209**

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

9. *Response to Hutt City Community Facilities Trust Funding Proposal (17/605)*

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>Response to Hutt City Community Facilities Trust Funding Proposal.</i>	<i>The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities (s7(2)(h)).</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."

RESOLVED: (Cr Milne/Cr Sutton) **Minute No. FPC 17210**

"That Mr Alister Skene, Chair of Hutt City Community Facilities Trust, be permitted to remain after the public during consideration of item 9 -"Response to Hutt City Community Facilities Trust Funding Proposal" as he has knowledge of the matter to be discussed that will assist the Committee in relation to this item."

There being no further business the Chair declared the meeting closed at 8.01 pm and the non-public portion of the meeting finished at 9.30pm.

Cr C Milne
CHAIR

CONFIRMED as a true and correct record
Dated this 23rd day of May 2017