

HUTT CITY COUNCILFINANCE AND PERFORMANCE COMMITTEE

Minutes of a meeting held in the Council Chambers, 2nd Floor, 30 Laings Road,
Lower Hutt on

Wednesday 18 October 2017 commencing at 5.30pm

PRESENT:

Cr C Milne (Chair)	Deputy Mayor D Bassett
Cr G Barratt	Cr J Briggs
Cr MJ Cousins	Cr S Edwards
Cr M Lulich	Cr L Sutton
Mayor WR Wallace (from 5.35pm)	

APOLOGY: An apology was received from Cr Barry

IN ATTENDANCE:

Cr L Bridson
 Cr T Lewis
 Cr G McDonald
 Mr T Stallinger, Chief Executive
 Ms K Kelly, General Manager, City Transformation
 Mr B Kibblewhite, Chief Financial Officer
 Mr D Newth, Financial Accounting Manager
 Ms W Moore, Manager Strategy and Planning (part meeting)
 Ms J Askin, Corporate Planner (part meeting)
 Mr G George, Manager Trade Waste (part meeting)
 Ms K Stannard, Divisional Manager, Democratic Services

PUBLIC BUSINESS1. APOLOGY

RESOLVED: (Deputy Mayor Bassett/Cr Milne)

Minute No. FPC 17501

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

2. PUBLIC COMMENT

There were no public comment.

3. **CONFLICT OF INTEREST DECLARATIONS**

Deputy Mayor Bassett declared a conflict of interest in relation to item 4b) and took no part in discussion or voting on the matter.

Cr Cousins declared conflict of interest in relation to item 4a) relating to the Hutt City Community Facilities Trust (CFT) and took no part in discussion or voting with regard to CFT.

Cr Milne declared a conflict of interest in relation to item 4a) relating to Seaview Marina Ltd (SML) and took no part in discussion with regard to SML.

PRECEDENCE OF BUSINESS

RESOLVED: (Cr Milne/Deputy Mayor Bassett)

Minute No. FPC 17502

"That, in terms of Standing Order 10.4, precedence be accorded to item 4b) dealing with Urban Plus Limited."

Mayor Wallace joined the meeting at 5.35pm.

4. **RECOMMENDATIONS TO COUNCIL - 18 October 2017**

a) Hutt City Council Annual Report to 30 June 2017 (17/1424)

Cr Cousins declared conflict of interest in relation to the Hutt City Community Facilities Trust (CFT) and took no part in discussion or voting when the matter was raised.

Cr Milne declared a conflict of interest in relation to Seaview Marina Ltd (SML) and took no part in discussion or voting when the matter was raised.

Mr Andrew Clarke from Audit New Zealand elaborated on the audit process and gave an update on where things were at. He advised the audit was completed and was expected to provide an unmodified opinion as he was comfortable that the financial and non financial information was correct. He elaborated on what still needed to happen before providing the audit opinion. He said that Council needed to sign the Letter of Representation and to adopt the accounts. He advised that there was one adjustment in the Letter of Representation which related to Urban Plus Ltd and that the adjustment was a non material change. He noted that other Councils had issues that may need further investigation with the setting of rates. He stressed that Audit New Zealand had reviewed Council's rate setting and advised there was no major concern.

In response to a question from a member, Mr Clark clarified that the threshold for material changes depended largely upon circumstances and the area involved.

RECOMMENDED: (Cr Milne/Mayor Wallace) **Minute No. FPC 17403**

"That the Committee recommends that Council:

- (i) *approves the draft Annual Report and Annual Report Summary for the year ended 30 June 2017 attached as Appendices 1, 2 and 3 to the report, both subject to satisfactory resolution of the following outstanding items:*
 - (a) *completion of final edit checking;*
 - (b) *completion of any final audit adjustments; and*
 - (c) *receipt of final audit clearance;*
- (ii) *notes that a public notice will be published in the Hutt News advising of the availability of the Annual Report Summary, attached as Appendix 3 to the report, copies will be made available in the city's libraries, at the Customer Service Centre and on Council's website, copies will be posted to rural ratepayers who may not receive the Hutt News, and an alert will be sent to our 1,500 e-newsletter subscribers; and*
- (iii) *appoints a subcommittee to sign off the final documents by 8 November 2017."*

b) Report on Urban Plus Limited for the Year Ended 30 June 2017 (17/1514)

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

The Chief Financial Officer elaborated on the report. He tabled Audit New Zealand's Independent Auditor's Report of Urban Plus Limited (the company) issued on 17 October 2017 along with disclosure changes to the company's Annual Report.

In response to questions from a member relating to the reasons why the documentation was delayed, the Chief Financial Officer elaborated on the complexity of the company's accounts as a result of the establishment of subsidiaries. He advised that the company now had a consolidated set of accounts. He acknowledged that officers could have been better prepared and there were resourcing issues at Audit New Zealand which had not helped the situation. He highlighted that the breach had been disclosed in the company's Annual Report.

RECOMMENDED: (Cr Milne/Mayor Wallace) **Minute No. FPC 17504**

"That the Committee recommends that Council receives the Annual Report for Urban Plus Limited for the year ended 30 June 2017, attached as Appendix 1 to the report along with the tabled unmodified audit opinion attached as pages 6-9 to the minutes and tabled disclosure changes to Urban Plus Limited's Annual Report attached as pages 10-13 to the minutes."

4. INFORMATION ITEM

Hydrocarbon Discharges to stormwater affecting Seaview Marina (17/1516)

Report No. FPC2017/4/132 (2) by the Manager, Trade Waste

The Manager, Trade Waste elaborated on the report.

In response to questions from members, the Manager, Trade Waste considered that education was the key to fighting pollution incidents. He noted that of the 1,000 pollution incidents, 980 people did not know what they were doing would cause harm to the environment. He advised that officers had delegated enforcement powers from Greater Wellington Regional Council for certain breaches and the ability to motivate people to do the right thing. He also advised that most businesses did not find the cost of protection significant as businesses understood there was no acceptable pollution anymore as it was not publicly acceptable. He highlighted that the responsibility of sumps was mixed, the polluter would pay for sump guards and Council would pay for street sumps. He also highlighted that there was an enormous scope for education in relation to litter been blown from recycling bins into the stormwater system.

In response to a question from a member, the Chief Executive advised that a combined report from Wellington Water Limited and Council's Trade Waste Team was the correct process. He noted that the report would cover future budget implications and would be written in time for the Long Term Plan.

RESOLVED: (Cr Cousins/Mayor Wallace)

Minute No. FPC 17405

"That the Committee:

- (i) notes and receives the report;*
- (ii) asks officers from Wellington Water Limited and Council's Trade Waste Division to report back on options for consultation in the next Long Term Plan; and*
- (i) investigate initiating a city-wide programme within existing budgets."*

4. QUESTIONS

There were no questions.

There being no further business the Chair declared the meeting closed at 6.25 pm.

Cr C Milne
CHAIR

CONFIRMED as a true and correct record
Dated this 12th day of December 2017

6

AUDIT NEW ZEALAND
 Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Urban Plus Limited and group's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Urban Plus Limited and group (the company and group). The Auditor-General has appointed me, Andrew Clark, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company and group, on his behalf.

Opinion

We have audited:

- the financial statements of the company and group on pages 13 to 32, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company and group on pages 6 and 7.

In our opinion:

- the financial statements of the company and group on pages 13 to 32:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company and group on pages 6 and 7 presents fairly, in all material respects, the company and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company and group's objectives for the year ended 30 June 2017.

Our audit was completed on 17 October 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the

7

performance information, we comment on other information, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company and group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company and group for assessing the company and group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company and group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

8

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company and group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company and group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company and group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the company and group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the company and group audit. We remain solely responsible for our audit opinion.

9

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Independence

We are independent of the company and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company and group.



Andrew Clark
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

10

Statement of Financial Position as at 30 June 2017

	Notes	PARENT			GROUP	
		Actual 2017	Budget 2017	Actual 2016	Actual 2017	Actual 2016
Current assets						
Cash and cash equivalents	6	4,189,691	3,526,841	2,438,159	4,198,059	2,438,159
Debtors and other receivables	7	32,540	12,958	12,950	32,540	32,960
Prepayments				84,974	-	84,974
Inventories	8	7,075,853	1,642,861	2,062,219	3,675,423	2,062,219
Other financial assets	16	1,500,000	-	-	-	-
Total current assets		7,798,084	5,182,660	4,608,312	8,106,222	4,628,312
Non current assets						
Property, plant and equipment	9	20,433,957	19,300,001	21,021,247	24,433,957	21,021,247
Intangible assets	30	4,754	4,603	5,853	4,754	5,853
Assets under construction		17,001	1,162,393	475,122	17,001	475,122
Total non current assets		24,455,712	20,567,797	21,502,222	24,455,712	21,502,222
Total assets		32,253,796	25,740,457	26,110,534	32,561,934	26,130,534
Current liabilities						
Trade and other payables	11	182,022	152,613	152,609	343,964	152,609
Employee entitlements	13	30,764	30,413	30,413	30,764	30,413
Borrowings	12	5,000,000	-	-	5,000,000	-
Other liabilities	15	47,829	-	435,943	285,964	435,943
Total current liabilities		5,260,415	183,026	618,965	5,661,292	618,966
Non current liabilities						
Employee entitlements	13	26,285	26,227	26,226	26,285	26,226
Borrowings	12	4,000,000	9,000,000	9,000,000	4,000,000	9,000,000
Deferred tax liability		2,098,892	1,374,418	1,363,934	2,077,174	1,363,914
Total non current liabilities		6,125,177	10,400,645	10,389,160	6,103,459	10,389,140
Total liabilities		11,385,592	10,583,671	11,007,165	11,764,751	11,007,105
Net Assets		20,868,204	15,156,786	15,123,429	20,797,183	15,123,429
Equity						
Accumulated funds	14	(5,891,261)	(6,499,321)	(6,532,679)	(5,962,282)	(6,502,679)
Share capital	14	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000
Revaluation reserve	14	11,459,465	6,356,107	6,326,108	11,459,465	6,326,108
Total equity		20,868,204	15,156,788	15,123,429	20,797,183	15,123,429

Explanations of major variances against budget are detailed in note 26. The accompanying notes form part of these financial statements.

9. Property, plant and equipment

Parent/Group	Opening					Movements during the year					Closing		
	Cost or valuation	Accumulated depreciation and impairment	Carrying amount	Disposals	Accumulated depreciation and impairment on disposals	Additions	Depreciation	Impairment	Elimination of accumulated depreciation on revaluation	Revaluation surplus	Cost or valuation	Accumulated depreciation and impairment	Carrying amount
2017													
Operational assets													
Land	10,198,285	-	10,198,285	(1,530,000)	-	-	-	-	-	2,696,715	11,336,000	-	11,336,000
Buildings	11,346,271	(526,842)	10,819,429	(898,151)	65,650	(354,536)	-	815,728	2,581,690	13,097,000	-	-	13,097,000
Plant and equipment	7,757	(4,224)	3,533	(1,143)	219	(192)	-	-	-	5,634	(4,657)	1,977	1,977
Total operational assets	21,552,313	(531,066)	21,021,247	(2,457,304)	65,869	(355,388)	-	815,728	5,238,405	20,438,034	(4,657)	-	20,433,377
2016													
Operational assets													
Land	10,508,285	-	10,508,285	(310,000)	-	-	-	-	-	10,198,285	-	-	10,198,285
Buildings	10,773,805	(198,778)	10,585,027	(733,221)	61,142	(398,206)	-	-	-	11,346,271	(526,842)	10,819,429	10,819,429
Plant and equipment	7,170	(3,590)	3,580	-	587	(554)	-	-	-	7,757	(4,224)	3,533	3,533
Total operational assets	21,289,260	(192,368)	21,096,892	(1,043,221)	61,342	(398,860)	-	-	-	21,552,313	(531,066)	-	21,021,247

Valuation

Land is valued as vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current potential usage. Buildings comprise of residential dwellings that have been valued in relation to market based evidence. Market rents and capitalisation rates were applied to reflect market value while considering the highest and best use alternatives. The most recent independent valuation was performed by Aon Valuation Services. The total valuation was for \$24,432,000.

12

10. Intangible assets

Parent/Group	Opening		Movements during the year				Closing	
	Cost or valuation	Accumulated depreciation and impairment	Additions	Disposals on disposals	Accumulated depreciation and impairment	Elimination of accumulated depreciation on revaluation	Cost or valuation	Accumulated depreciation and impairment
2017								
	34,149	(28,295)	-	(16,876)	14,876	-	37,273	(12,520)
Total intangible assets		5,853				(1,100)		4,753
2016								
	28,526	(27,780)	5,823	-	-	[515]	34,149	(28,295)
Total intangible assets		746						5,853

13

20. Capital commitments and operating leases

Capital commitments

Capital commitments as at 30 June 2017 nil (2016: \$875,000) for the parent, and for Fairfield Waters Limited Partnership, nil (2016: Nil).

Operating leases as lessee

Urban Plus Limited leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable leases are as follows:

	Parent		Group	
	2017	2016	2017	2016
Not later than one year	32,484	29,627	32,484	29,627
Later than one year and not later than two years	33,083	29,105	33,083	29,106
Later than two years and not later than five years	50,591	65,489	10,591	05,489
Later than five years	-	-	-	-
Total non-cancellable operating leases	76,158	124,222	76,158	124,222

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2016: \$nil).

Leases can be renewed at Urban Plus Limited's option, with rents set by reference to current market rates for items of equivalent age and condition. Urban Plus Limited does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on Urban Plus Limited by any of the leasing arrangements.

Operating leases as lessor

Urban Plus Limited leases housing properties under operating leases that have a non-cancellable term of 3 weeks.

No contingent rents have been recognised in the statement of comprehensive income during the period.

21. Contingencies

Contingent liabilities

As at 30 June 2017 there were nil contingent liabilities (2016: \$nil).

Contingent assets

As at 30 June 2017 contingent assets were \$nil (2016: \$nil).

22. Events after balance date

The following property sale has occurred since balance date – 47 Lalings Road for \$750,000.

23. Statutory deadline for publishing the annual report

In accordance with Section 67 of the Local Government Act 2002, the Annual Report is required to be published within three months of balance date. The statutory deadline was met.