

HUTT CITY COUNCILFINANCE AND PERFORMANCE COMMITTEE

Minutes of a meeting held in the Council Chambers, 2nd Floor, 30 Laings Road,
Lower Hutt on
Wednesday 2 May 2018 commencing at 5.30pm

PRESENT: Cr C Milne (Chair) Cr C Barry (Deputy Chair) (from 6.16pm)
Cr G Barratt Deputy Mayor D Bassett (until 7.00pm)
Cr MJ Cousins (until 7.15pm) Cr S Edwards
Cr M Lulich Cr L Sutton
Mayor WR Wallace

APOLOGIES: An apology was received from Cr J Briggs. An apology was received from Cr Barry for lateness and from Cr Cousins for early departure.

IN ATTENDANCE: Mr T Stallinger, Chief Executive
Mr L Allott, Chief Information Officers
Ms K Kelly, General Manager, City Transformation
Mr B Kibblewhite, General Manager, Corporate Services
Mr M Reid, General Manager, City and Community Services
Mr M de Haast, Chief Financial Officer
Mr G Craig, Divisional Manager, City Growth
Mr M Mercer, Divisional Manager, Community Hubs (part meeting)
Mr D Newth, Financial Accounting Manager (part meeting)
Ms H Stringer, Rates and Receivables Team Leader (part meeting)
Mr G Phillips, Treasury Officer (part meeting)
Ms H Clegg, Minute Taker

PUBLIC BUSINESS1. APOLOGIES

RESOLVED: (Cr Milne/Mayor Wallace)

Minute No. FPC 18201

"That the apology received from Cr Briggs be accepted and leave of absence be granted and the apologies for lateness received from Cr Barry and early departure from Cr Cousins be accepted."

2. PUBLIC COMMENT

There was no public comment.

3. CONFLICT OF INTEREST DECLARATIONS

Cr Milne declared a conflict of interest in relation to item 5(i) Lending to Council Controlled Organisations and took no part in discussion or voting on the matter. Members agreed Mayor Wallace would assume the chair for the item, as the Deputy Chair was an apology for lateness.

Cr Cousins declared a conflict of interest in relation to item 5(i) Lending to Council Controlled Organisations and item 14 Hutt City Community Facilities Trust - Appointment of Directors and took no part in discussion or voting on the matters.

Deputy Mayor Bassett declared a conflict of interest in relation to item 5(i) Lending to Council Controlled Organisations and took no part in discussion or voting on the matter.

Cr Sutton declared a conflict of interest in relation to item 14 Hutt City Community Facilities Trust - Appointment of Directors and took no part in discussion or voting on the matter.

4. FOR COMMITTEE INPUT PRIOR TO COMMUNITY PLAN COMMITTEE REFERRAL - 6 June 2018

Business Case - Technology One SaaS Proposal (18/598)

Report No. FPC2018/2/115 by the Chief Information Officer

The Chief Information Officer elaborated on the report.

In response to a question from a member, the Chief Information Officer advised he was confident that the promised service delivery for the price quoted would be received, as a comprehensive due diligence process had been conducted.

In response to further questions from members, the Chief Information Officer advised a governance group overseeing the project would be set up, which would include an external member. He agreed that regular reporting to the Committee would occur and significant consultation had already occurred regarding best practice and process.

RECOMMENDED: (Cr Milne/Cr Lulich)

Minute No. FPC 18202

"That the Committee recommends that the Community Plan Committee:

- (i) supports the business case, attached as Appendix 1 to the report, for the implementation of TechnologyOne Software as a Service;*
- (ii) notes that the requested amount for TechnologyOne Software as a service is in the draft budget as a provision;*
- (iii) confirms the draft budget of \$1.5M to transition to TechnologyOne Software as a Service, and annual operating budget of \$0.524M; and*
- (iv) requests officers to report back to the next Finance and Performance Committee meeting regarding governance procedures for this project and thereafter regularly report to that committee regarding progress."*

5. RECOMMENDATIONS TO COUNCIL - 22 May 2018

- i) Lending to Council Controlled Organisations (18/559)

Deputy Mayor Bassett, Crs Cousins and Milne declared an interest in the item and took no part in discussion or voting on the matter. Mayor Wallace assumed Chair for the item.

The General Manager, Corporate Services elaborated on the report.

Mayor Wallace advised members that Council's treasury advisors had been consulted regarding the proposal and endorsed officers' recommendations.

RECOMMENDED: (Mayor Wallace/Cr Barratt) **Minute No. FPC 18203**

"That the Committee recommends that Council:

- (i) approves extending the maturity of existing loan agreements to allow Council to continue on-lending up to:

 - (a) \$3.5M to Seaview Marina Limited (SML);*
 - (b) \$13.0M to Urban Plus Limited (UPL); and*
 - (c) \$3.0M to The Hutt City Community Facilities Trust (CFT); and**
- (ii) approves a further short term funding facility of \$5.0M to UPL for project financing of property developed for resale by UPL included in the UPL Statement of Intent (SOI);*
- (iii) agrees that these approvals will cover the period up to 30 June 2021;*
- (iv) agrees that the maximum maturity date for any loan is limited to three years from the date the loan is arranged;*
- (v) agrees that the margins on loans to Council Controlled Trading Organisations (CCTOs) (SML and UPL) be 1.0%, and 0.5% for Council Controlled Organisations (CCOs) (CFT);*
- (vi) requests officers to draw up formal agreements between Council and the CCTOs/CCOs outlining the terms and conditions associated with these loans; and*
- (vii) agrees that any amount borrowed by Council and on-lent to a CCTO/CCO be treated as an investment for the purposes of calculating Council's net debt figure when considering the Financial Strategy Limits."*

For the reasons that SML, UPL and CFT require loan funding to deliver the outcomes contained in their respective SOI's and that Council, due to its strong credit rating and access to debt funding via the Local Government Funding Agency, can provide the required loan funding at the lowest cost to the Council group.

- ii) Tax Risk Governance Framework and Tax Risk Management Strategy (18/620)

Cr Milne resumed the Chair.

The Chief Financial Officer elaborated on the report. He highlighted that the Inland Revenue Department (IRD) was focussed on local government and it was an IRD expectation for large organisations to put in place tax risk frameworks and strategies.

In response to a question from a member, the Chief Financial Officer advised that Council's current insurance covered for business interruptions, but it did not extend to costs related to an IRD audit. He added that the IRD provided Councils with an opportunity to disclose areas of non-compliance with tax laws, such a disclosure may impact the level of penalty imposed.

The General Manager, Corporate Services elaborated on the issues related to Council.

In response to further questions from members, the Chief Financial Officer advised the strategy was not a statutory requirement, it provided the auditors with an assurance that Council's tax affairs were in order. He added Council's tax advisors would report annually regarding Council's compliance with the strategy and provide updated advice concerning any legislative changes.

RECOMMENDED: (Cr Milne/Mayor Wallace) **Minute No. FPC 18204**
"That the Committee recommends that Council approves the Tax Risk Governance Framework and associated Tax Risk Management Strategy attached as Appendix 1 to the report."

6. **REVOLVING CASH ADVANCES FACILITY - REFINANCING OPTIONS** (18/588)

Report No. FPC2018/2/134 by the Chief Financial Officer

The Chief Financial Officer elaborated on the report.

In response to a question from a member, the Chief Financial Officer advised that in the event of a major disaster, funding from the Local Government Funding Agency could be available, together with the credit facility.

RESOLVED: (Cr Milne/Cr Edwards)

Minute No. FPC 18205

"That the Committee

- (i) receives the report;*
- (ii) notes that Council's current \$15M credit facility expires on 31 July 2018;*
- (iii) notes that a larger credit facility will enable officers to run a larger commercial paper programme without breaching the liquidity ratio limit, the potential benefit of which could be a lowering of Council's average cost of borrowings;*
- (iv) consistent with Council's Treasury Risk Management Policy, authorises the Chief Financial Officer to negotiate refinancing terms for a credit facility with a line fee not exceeding 30 basis points (0.30%), for a three year term; and*
- (v) subject to part (iii) above, authorises a credit facility of \$35M with a term of three years to be in place by no later than 31 July 2018."*

7. **HCC GROUP ASSET REVALUATION AS AT 31 DECEMBER 2017** (18/621)

Report No. FPC2018/2/130 by the Financial Accounting Manager

The Financial Accounting Manager elaborated on the report.

Mayor Wallace left the meeting at 6.08pm

The Financial Accounting Manager confirmed that Urban Plus Limited had been revalued in June 2017 and was also included in the 2018 revaluation cycle.

Mayor Wallace rejoined the meeting at 6.10pm.

The Financial Accounting Manager highlighted the changes to the valuation of the art collection, in particular that the Pataka had been temporarily removed from the asset register while ownership details were investigated. He assured members that the piece was insured and there was confusion concerning whether the Pataka had been gifted/vested with Council, or placed with Council for safe keeping.

The Chair questioned who would be the beneficiary of an insurance payout, should the Pataka be damaged or lost.

The Financial Accounting Manager further highlighted that the Hutt City Council Administration Building had been revalued at just over \$9M, despite refurbishment costs of \$20M. He explained the valuation process involved reviewing what the building could be rented for, in the case of the Administration Building it would be generic office space. He further explained that the refurbishment cost of the building had included issues such as heritage, the civic nature, heating and earthquake strengthening, which were not factors taken into account for the revaluation.

In response to a question from a member, the Financial Accounting Manager clarified that the majority of the Council Administration Building valuation was based on floor area, resulting in there being no difference in valuation between a newly built office building or a refurbished office building of the same size on the same site, as valuations were based on comparable rental market square metre rates.

Cr Barry joined the meeting at 6.16pm.

The Chief Financial Officer added that the building was insured at the replacement value of around \$25M. He further advised that a report on the Pataka situation, both in terms of ownership and insurance beneficial interest would be added to the work programme for the Committee.

RESOLVED: (Cr Milne/Cr Lulich)

Minute No. FPC 18206

"That the report be noted and received."

8. **UPDATE ON THE RATES COLLECTION AGREEMENT WITH GREATER WELLINGTON REGIONAL COUNCIL** (18/617)

Report No. FPC2018/2/132 by the Chief Financial Officer

The Chief Financial Officer and the Rates and Receivables Team Leader elaborated on the report.

In response to a question from a member, the Team Leader Rates and Receivables explained there were no current plans to redesign the bill. She was aware of a newly designed bill from Upper Hutt City Council (UHCC), which simplified the rates bills, more clearly identifying the Greater Wellington Regional Council (GWRC) and UHCC portion of the bill. The Chief Financial Officer added that redesigning the bill would be a costly exercise which could not be undertaken by 1 July 2018. He agreed to investigate the option of a redesign for 1 July 2019 and that options would be reported back to the Committee for consideration.

RESOLVED: (Cr Edwards/Cr Milne)

Minute No. FPC 18207

"That the Committee :

(i) *notes the report; and*

(ii) *asks officers to investigate the option of a redesign of the rating bill to clearly show what are Council's charges and what are Greater Wellington Regional Council (GWRC) charges, with an introduction of a redesigned bill no later than 1 July 2019."*

9. **EDUCATION DELEGATION TO MINOH, JAPAN AND TAIZHOU, CHINA** (18/561)

Report No. FPC2018/2/127 by the Divisional Manager City Growth

The Divisional Manager, City Growth elaborated on the report.

In response to a question from a member, the Divisional Manager, City Growth advised the delegation was planned between 2 and 12 October 2018. He advised that if any Councillors were interested in attending, he asked that interest be registered with him as soon as possible.

Cr Edwards expressed the view that a better use of \$6,000 would be to hold some kind of competition to find a science or education or business leader who could make a greater benefit to the city by attending the delegation and representing the city. He foreshadowed an amendment to part (vii) of the recommendations which was seconded by Cr Barry.

Members fully discussed the matter which included any Councillors who wished to attend paying their own costs.

Deputy Mayor Bassett left the meeting at 7.00pm.

The motion was taken in parts. Parts (i) to (vi) and (viii) were CARRIED on the voices. Part (vii) CARRIED by a show of hands.

Mayor Wallace wished to record that he did not participate in voting on the matter.

RESOLVED: (Cr Milne/Cr Barratt)

Minute No. FPC 18208

(Cr Edwards/Cr Barry – part (vii))

“That the Committee:

- (i) notes that in May 2018 Minoh City’s Mayor Kurata will lead a delegation of five officials and a Council officer to Lower Hutt to attend the Sister Cities New Zealand Conference and that a group of Minoh citizens will join the official delegation in Lower Hutt;*
- (ii) notes that representatives from Sacred Heart College and Wainuiomata High School will be in Minoh the first week of October 2018;*
- (iii) notes that the two Lower Hutt teachers on Council’s ‘Hutt-Minoh Teacher Exchange’ programme, will be in Minoh the first two weeks of October 2018;*
- (iv) notes that Assumption Kokusai High School in Minoh is developing an International English Course Programme to bring a group of Students to Lower Hutt for one term in 2019, and again in 2020;*
- (v) notes that in May 2018 Taizhou will bring a delegation of five senior officials to Lower Hutt to attend the Sister Cities New Zealand Conference; and that October 2018 marks a significant milestone in the Sister City relationship between Taizhou and Lower Hutt being the 10th Anniversary;*
- (vi) approves Mayor Ray Wallace and Mayoress, Linda Goss-Wallace leading an education delegation to Minoh and Taizhou between 2 and 12 October 2018, at an estimated cost of up to \$12,000;*
- (vii) approves an amount of funding capped at \$6,000 to be split equally among one or more persons, through a competition or some other mechanism to find a leader in science or education or business who could benefit the city by attending the delegation, who wished to accompany the Mayor as part of the official delegation to Minoh and Taizhou; and*
- (viii) notes that the costs totaling up to \$18,000 above will be met from existing budgets.”*

For the reasons: to strengthen the long standing Sister City Relationship with Minoh City; acknowledge and celebrate the 10th Anniversary of the Sister City relationship with Taizhou; and support and focus on Council’s existing sister city relationships as outlined in Council’s international relationships work programme 2017-2019.

10. **FINANCE UPDATE** (18/622)

Report No. FPC2018/2/129 by the Budgeting and Reporting Manager

The Chief Financial Officer elaborated on the report.

In response to questions from members, the General Manager, Corporate Services advised that the Sweetacres Reservoir contract was operated by an external contractor, with works carried over from the previous year. He added that reprioritisation of the Knights Road ultra violet treatment works had impacted on the timing of other projects. The General Manager, City and Community Services agreed to investigate the project and report back to the Committee.

In response to a further question from a member, the General Manager, City and Community Services advised that the variance for the Community House Funding and the Mayors Taskforce Jobs for Wainuiomata was probably an accounting error.

Cr Cousins left the meeting at 7.15pm.

RESOLVED: (Cr Milne/Mayor Wallace)

Minute No. FPC 18209

"That the Committee notes Council's March 2018 year to date financial performance and the full year forecast for the year ending 30 June 2018."

11. **INFORMATION ITEM**

Finance and Performance Work Programme 2018 (18/331)

Report No. FPC2018/2/62 by the Committee Advisor

The Chief Financial Officer elaborated on the report. He highlighted that the Audit New Zealand Final Management Report on the programme for cycle 5, could ideally be presented at cycle 4 with the Hutt City Council Annual Report.

RESOLVED: (Cr Milne/Cr Sutton)

Minute No. FPC 18210

"That the programme be noted and received."

12. **QUESTIONS**

There were no questions.

13. **EXCLUSION OF THE PUBLIC**

RESOLVED: (Cr Milne/Cr Barratt)

Minute No. FPC 18211

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

14. *Hutt City Community Facilities Trust – Appointment Of Directors (18/506)*

15. *Strategic Property Portfolio - Six Monthly Update (18/496)*

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:

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>
<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>Hutt City Community Facilities Trust – Appointment Of Directors.</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>
<i>Strategic Property Portfolio - Six Monthly Update.</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."

There being no further business the Chair declared the meeting closed at 7.19pm, and the non-public portion of the meeting closed at 7.35pm.

Cr C Milne
CHAIR

CONFIRMED as a true and correct record

Dated this 22nd day of May 2018